119

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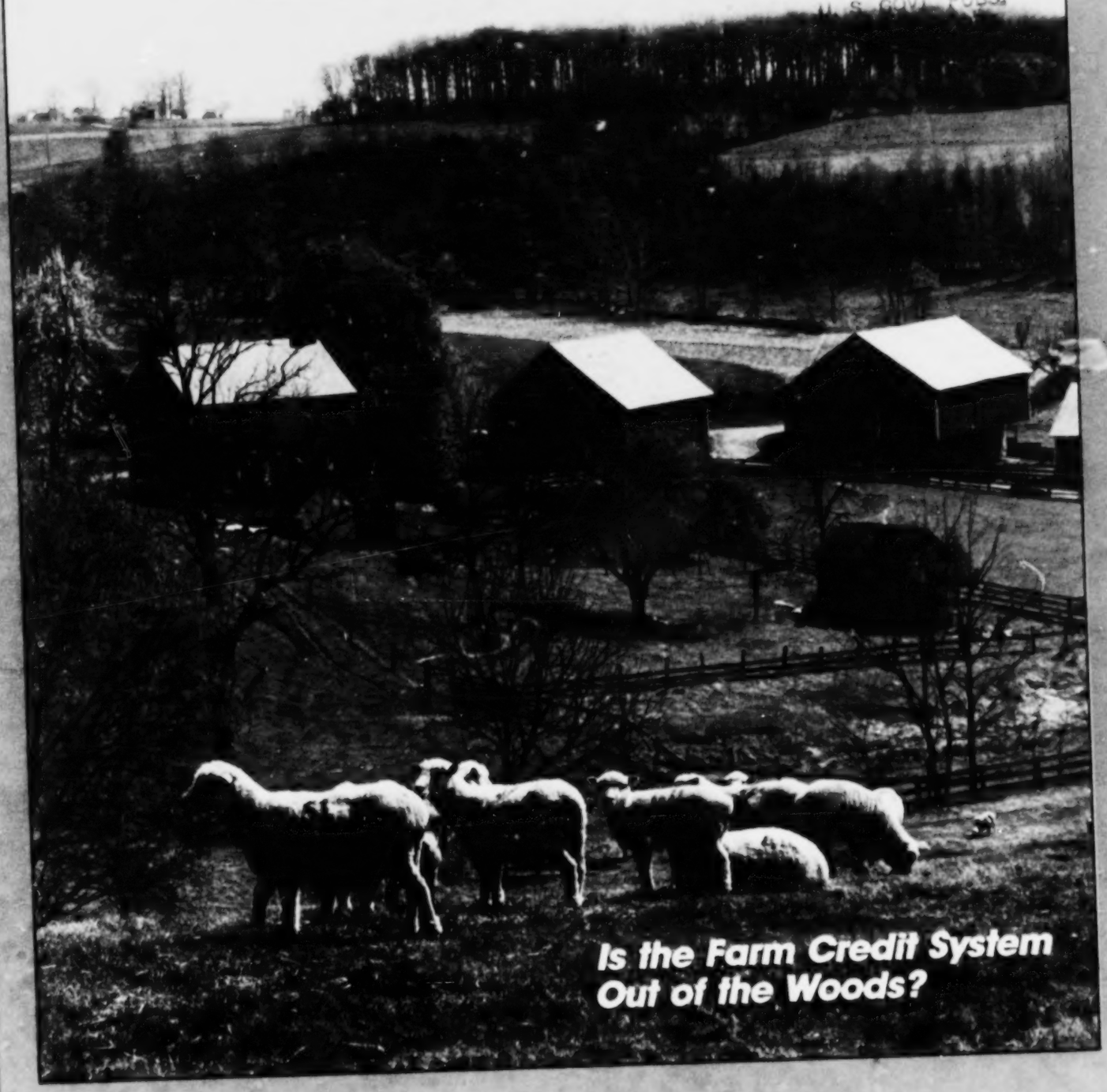

Is the Farm Credit System Out of the Woods?

A 93.10/2:

AGRICULTURAL OUTLOOK

May 1986/AO-119

Departments

2 Agricultural Economy
16 Food and Marketing
18 World Agriculture and Trade
21 Inputs

Special Article

23 The Farm Credit System: Troubled Past, Uncertain Future

Statistical Indicators:

28 Summary Data
29 U.S. and Foreign Economic Data
30 Farm Prices
31 Producer and Consumer Prices
33 Farm-Retail Price Spreads
34 Livestock and Products
38 Crops and Products
42 World Agriculture
43 U.S. Agricultural Trade
46 Farm Income
48 Transportation
48 Indicators of Farm Productivity
48 Food Supply and Use

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Contents of this report have been approved by the World Agricultural Outlook Board, and the summary was released April 17, 1986. Materials may be reprinted without permission. *Agricultural Outlook* is published monthly, except for the January/February combined issue. Price and quantity forecasts for crops are based on the April 10 World Agriculture Supply and Demand Estimates.

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The next issue of *Agricultural Outlook* (AO-120) is scheduled for mailing on May 30, 1986. If you do not receive AO-120 by June 12, call the Managing Editor (be sure to have your mailing label handy). The full text and tables of AO-120 will also be available electronically. For more information, write EMS/USDA, 1301 New York Avenue, N.W., Room 228, Washington, D.C. 20005-4789, or call (202) 786-1494.

In Brief. . . News of Cheaper Feed, the Marketing Bill, Ethiopia's Food Needs

Combined world supplies of wheat, coarse grains, rice, and soybeans are forecast to exceed the quantities consumed during 1985/86 by approximately 20 percent. By contrast, supplies during 1984/85 were only 16 percent greater than consumption. One benefit of the abundant world supplies is that lower feed prices are reducing the U.S. livestock industry's cash costs. At the same time, the drop in oil prices is easing cash production costs on farms. Consequently, net cash income, which reached a record high in 1985, may remain near that record in 1986.

Farm prices for feed grains, wheat, and soybeans are 5 to 15 percent lower than last season. Feed accounted for about 20 percent of total cash costs in producing fed cattle last year. The grain price declines will allow cattle feeders to pay higher prices for feeder steers this year, but will still reduce cash costs for producing fed cattle. Lower grain prices are having a greater effect on the hog, dairy, and poultry industries, since feed concentrates account for a greater share of their cash costs. Nevertheless, net returns in all the livestock industries are still below those in the 1970's.

Beef producers are disappointed by current prices. Choice steer prices are under pressure from large meat supplies, partly caused by earlier delays in cattle marketings, which have led to record slaughter weights. The Dairy Termination Program will result in sharp increases in dairy cow slaughter and further boost supplies this spring and summer. However, most of the increased beef production will be offset by Government purchases of red meat. Choice steer prices are expected to average between $55 and $61 per cwt until the summer, about the same as during the first quarter and a year ago.

Since 1980, receipts from fed cattle have been less than cash expenses plus capital replacement costs. However, farm prices for beef cattle are expected to increase as red meat output declines this year. Thus, lower feed costs plus higher cattle prices should result in improved returns for cattle producers. Last year, concentrate feed costs accounted for about 9 percent of cash expenses for cow-calf production and 20 percent for fed beef.

Historically, up- or down-swings in hog production have been linked to relative prices of hogs and corn. In recent years, a hog-corn price ratio equal to or above 20-22 to 1 yielded a return to producers that was above cash expenses and replacement costs—a signal for expansion. On the other hand, if the hog-corn ratio equaled or was below 14-16 to 1, cash expenses were not covered and hog numbers were reduced. At present, the ratio is about 19, indicating neither expansion nor contraction.

About 5 percent of last year's farm production expenses—or $7 billion—went for fuel and oil. If prices paid for gasoline and diesel fuel in 1986 average 20 to 30 percent below 1985, the direct cut in farmers' fuel costs could be $1 to $2 billion.

Consumer expenditures for domestically produced farm foods are expected to increase 1 to 4 percent in 1986, to about $354 billion. This increase will come primarily from a 1- to 3-percent rise in grocery store prices, a 3- to 5-percent gain in the price of food purchased away from home, and a 1-percent expansion in the civilian population. However, expenditures will be dampened by a 1.1-percent drop in per capita food consumption, due largely to reduced livestock disappearance.

Although weather improved in most parts of Ethiopia during the 1985 growing season, recovery in food production was poorer than anticipated. To keep national food consumption from falling below the 1982-85 average, Ethiopia will require 1.5 million tons of imported cereals in 1986. This is equivalent to one-fourth of domestic cereal output—and nearly equals the amount imported during the food emergency of 1985.

The Farm Credit System (FCS) lost about $3 billion during 1985, but investor confidence in the system has been restored. The spread between FCS and Treasury bond rates has narrowed to roughly 0.2 percent. However, a continued decline in land values and limited prospects for increases in farmers' incomes this year mean that the FCS's difficulties may not yet be over.

Agricultural Economy

Combined world supplies of wheat, coarse grains, rice, and soybeans are forecast to exceed the quantities consumed during 1985/86 by approximately 20 percent. By contrast, supplies were only 16 percent greater than consumption during 1984/85. Because of the larger surpluses this season, ending stocks will rise, crop prices will be lower than a year ago, and countries with excess supplies will aggressively compete for export market shares.

One benefit of the abundant world supplies is that lower feed grain prices are reducing livestock industry cash costs. At the same time, lower oil prices are reducing cash production costs on crop farms, so net cash income, which reached a record high in 1985, may remain near that record in 1986.

Wheat and Cotton Production Dispersed

Production of wheat and cotton is dispersed much more evenly around the world than production of coarse grains and oilseeds. The United States accounts for about 13 percent of world wheat production and 17 percent of world cotton. Production of these crops rose in many countries during recent years, and the rise in world stocks reflects surpluses in many countries. In contrast, U.S. coarse grain and oilseed crops account for about one-third of the world total in each, and the rise in world stocks in these commodities is concentrated in the United States.

World ending stocks of wheat are expected to reach 128 million metric tons this season, with U.S. stocks accounting for 40 percent of the total. In foreign countries, wheat ending stocks will equal about 17 percent of a year's disappearance, only 1 percentage point more than the average during the 1970's. In contrast, the wheat stocks-to-use ratio in the United States is rising to nearly 1 (stocks equaling almost a whole year's domestic use plus exports), and average U.S. farm prices are forecast to drop 18 to 38 cents a bushel in 1985/86, to between $3.00 and $3.20.

Cotton Stocks-to-Use Ratio Exceeds 1

World cotton ending stocks are expected to be up one-tenth in 1985/86 to 47 million bales. Cotton stocks are rising in Pakistan and the United States, and the U.S. share of world stocks will climb this season to about 20 percent, compared with an average share of 16 percent in the 1970's. While the U.S. stocks-to-use ratio is expected to exceed 1 in 1985/86, the highest since the early 1960's, the ratio of foreign ending stocks to use will remain near the record high of 0.6 set last season.

The U.S. share of world coarse grain stocks is rising to over 70 percent this season, compared with about 43 percent on average in the 1970's. Foreign coarse grain ending stocks will total less than 8 percent of annual consumption, while the U.S. stocks-to-use ratio will probably exceed 0.50. U.S. farm prices for corn are expected to average between $2.30 and $2.45 a bushel, 17 to 32 cents lower than last season.

Similarly, in oilseeds, foreign stocks will total about 4 percent of use in 1985/86, while U.S. stocks are rising to about 25 percent of use. The U.S. share of world oilseed ending stocks could reach 75 percent this season, compared with 58 percent in the 1970's, and U.S. farm prices for soybeans may drop 70 to 80 cents, to $5.05-$5.15 a bushel.

Wheat and Cotton Face Greater Competition

Because the United States produces smaller shares of the world's wheat and cotton than of other crops, U.S. wheat and cotton exports face greater international competition. In 1985/86, U.S. wheat exports are forecast to drop 37 percent from last season, to 900 million bushels, and cotton exports are forecast to fall 68 percent to about 2 million bales. In contrast, U.S. feed grain exports are forecast to go down 22 percent, while U.S. soybean exports are actually rising 30 percent.

Since U.S. wheat and cotton producers have smaller shares of world markets than coarse grain and oilseed producers have, the potential percentage increase in exports of wheat and cotton appears to be greater in response to the lower loan rates allowed by the 1985 farm bill.

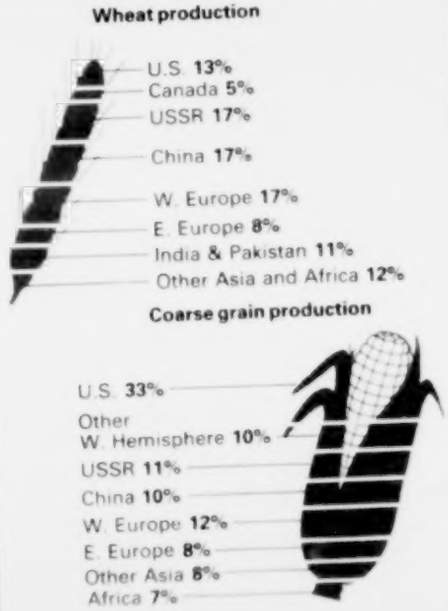
However, two important questions facing U.S. agriculture are whether U.S. farmers' crops are now priced low enough to compete in world markets, and whether government policies in competitor countries will change to counteract new U.S. pricing policies. The answers to those questions will determine how quickly U.S. exports rebound during the next several seasons.

Feed Concentrates' Share of Total Cash Livestock Costs in 1985

	Percent
Fed cattle	20
Feeder cattle	9
Hogs, farrow-to-finish	62
Dairy	24
Broilers*	33
Eggs	41

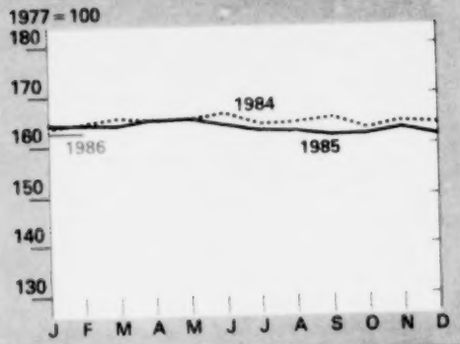
*Includes slaughter and processing costs.

U.S. Faces Greater Competition in World Wheat Market Than in Coarse Grain

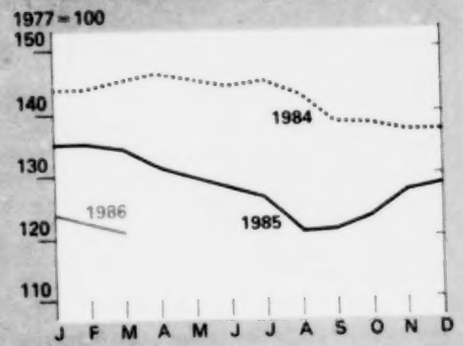


Prime Indicators of the U.S. Agricultural Economy

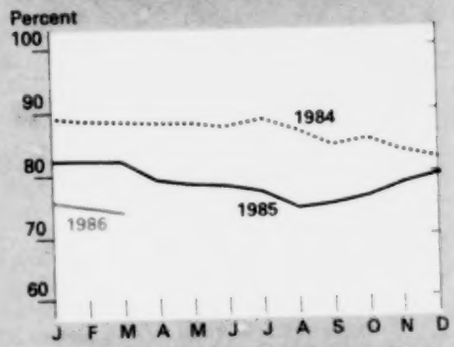
Index of prices paid by farmers[1]



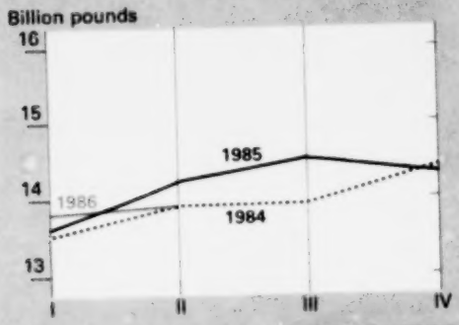
Index of prices received by farmers[2]



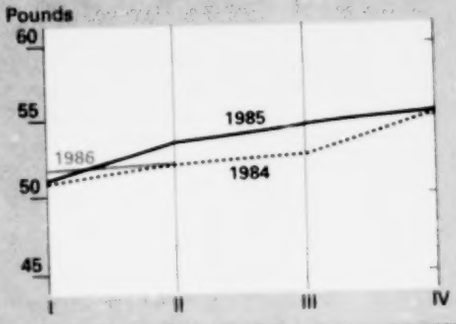
Ratio of prices received to prices paid



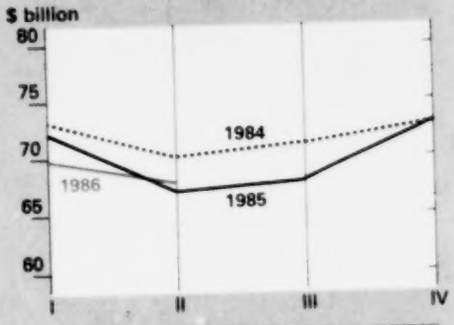
Red meat & poultry production



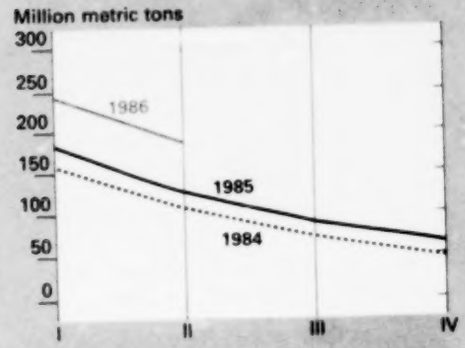
Red meat & poultry consumption, per capita[3]



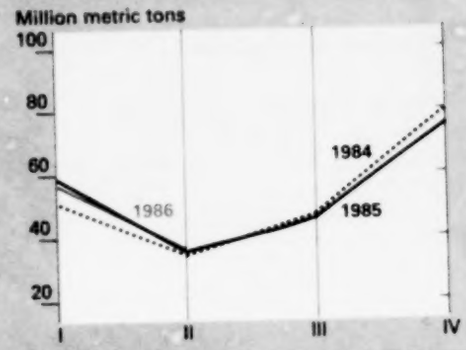
Cash receipts from livestock & products[4]



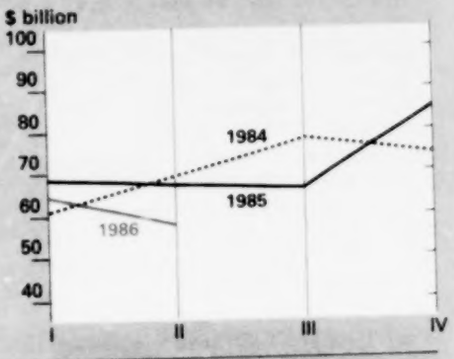
Feed grain beginning stocks[5]



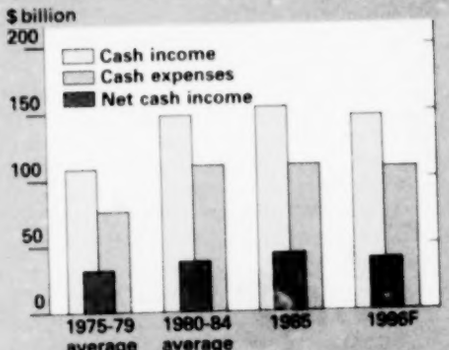
Feed grain disappearance[5]



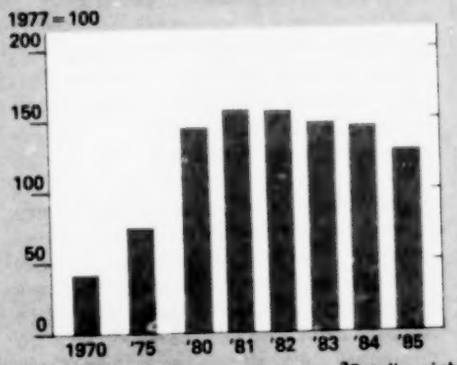
Cash receipts from crops[4]



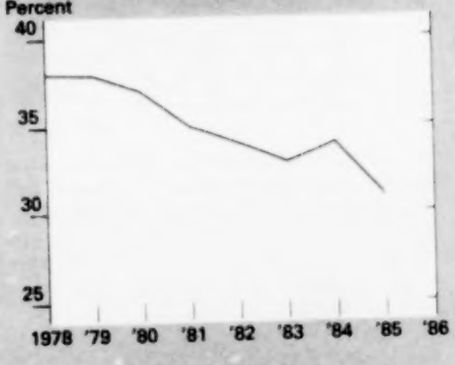
Farm cash income



Farm real estate values



Farm value/retail food costs



[1]For commodities and services, interest, taxes, and wages. [2]For all farm products. [3]Retail weight.
[4]Seasonally adjusted annual rate. [5]I = Jan.-Mar.; II = Apr.-May; III = June-Sept.; IV = Oct.-Dec..
F = forecast.

Cheaper Grain Cutting Livestock Costs

Lower crop prices are affecting the red meat, poultry, and dairy industries. Farm prices for feed grains, wheat, and soybeans are 5 to 15 percent lower than last season. Since the cost of feed accounts for about 20 percent of total cash costs in producing fed cattle, the grain price declines are lowering these costs.

Lower grain prices are having an even greater effect on the hog, dairy, and poultry industries, since concentrates account for a greater share of their cash costs. Nevertheless, net returns in all the livestock industries are still below levels seen in the 1970's. [*Terry Townsend (202) 786-3313*]

LIVESTOCK HIGHLIGHTS

• *Cattle*

Beef production this year likely will decline about 3 percent, with nearly all of the year-to-year reduction taking place in the second half. The recent implementation of the Dairy Termination Program has shifted the pattern of beef production so that a larger share of the annual output is coming in the spring and summer. When participation in the program was announced, cattle markets dropped sharply.

Much of the negative impact that occurred in the first 2 weeks of April was likely due to uncertainty about the timing of the slaughter, the actual number and classes of dairy cattle to be slaughtered, and departmental purchases (and thus removals of excess meat supplies from the market). A second factor causing concern was the fact that the industry had suffered through the first quarter with record slaughter weights, large beef supplies, and low prices.

Projections of 1986 beef marketings increased following acceptance of contracts for the dairy program. The sharpest slaughter increases will occur for dairy cow beef, primarily in the second and third quarters. However, approximately 30 percent of these cows would have been culled anyway.

The impact of the increased beef production will be largely offset by provisions in the farm bill to remove an additional 400 million pounds of red meat from the market. Half of the total Government purchases will be for distribution to domestic nutrition outlets such as school lunch programs, charitable institutions, and elderly nutrition programs through 1987. The other 200 million pounds will be completely removed from the domestic market through exports and shipments made available to U.S. military commissaries in foreign countries.

Of USDA's total purchases, about 250 million pounds are expected to occur in the second and third quarters, when slaughter will be heaviest. This should result in about 310 to 360 million pounds of purchases on a carcass-weight equivalent.

Some cows from the buyout program are likely to be exported. These purchase and export plans should largely negate the negative impact of the slaughter program on beef prices. By this fall, because of earlier dairy herd reductions, beef production will be lower than it would have been without the program. The dairy inventory and thus contributions to beef supplies are likely to remain down through at least 1987.

Even with the whole-herd buyout, second-quarter beef production will likely be near to slightly below a year earlier. Dressed weights will probably remain high because of the increased number of dairy cows in the slaughter mix, as well as continued high steer and heifer slaughter weights during the first part of the quarter.

The dairy program will have the greatest impact upon prices of hamburger and processed meat such as hot dogs and luncheon meat. Because much of the cow beef goes into these products, the available supply will be substantially increased.

Choice steer prices may average only $55 to $61 during the spring quarter, partly due to over-reaction in early April to prospects for increased dairy cow slaughter. Prices averaged only about $57.25 during the first quarter, compared with $62.24 a year earlier. Low first-quarter prices have been the result of large beef supplies as well as large total meat supplies.

Following the weaker first-quarter fed steer prices, feeder cattle prices dropped. Yearly steer prices at Kansas City averaged about $62.50 for the first quarter, down $6 per cwt from a year earlier. Prices will likely remain depressed through the second quarter, perhaps averaging only $57-$63.

Beef production will likely be below year-earlier levels during the second half of the year. This drop will be a result of decreased fed cattle marketings and reduced dairy beef supplies beginning this fall. Placements of cattle on feed during the first quarter were likely down about 3 percent from a year earlier. At the same time, fed marketings also likely declined.

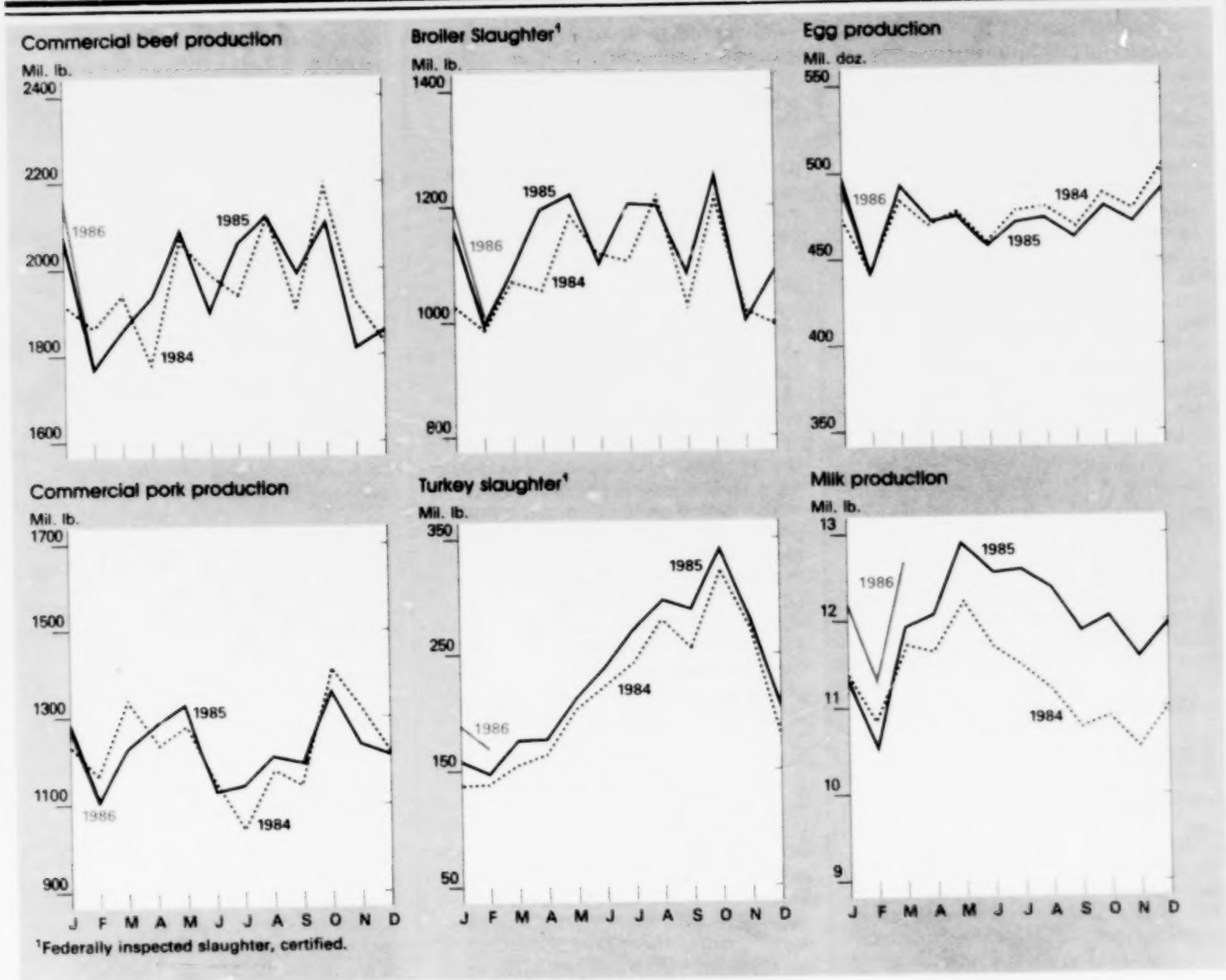
With continued low Choice steer prices, placements will likely remain low during the second quarter. Fed marketings during the second half are largely from cattle placed during the first half. With the expected sharp drop in fourth-quarter fed marketings, production this fall could drop 5 to 7 percent below a year ago. [*John Nalivka and Ronald Gustafson (202) 786-1830*]

• *Hogs*

The March *Hogs and Pigs* report indicated that producers continued to reduce inventories through last winter. The number of hogs and pigs in the 10 States reporting quarterly was the lowest March 1 inventory since 1976, and the breeding inventory was the smallest since the series began in 1973. Based on the March 1 market hog inventory and farrowing intentions for March-August, commercial pork production could decline about 2 percent in 1986 and is not expected to increase significantly until second-quarter 1987 at the earliest.

The March 1 inventory of all hogs and pigs totaled 38.6 million head, down 3 percent from last year. Breeding hog inventory numbered 4.99 million head, 4 percent below a year earlier. Producers indicated that they intended to have 4 percent fewer sows farrow in March-May than a year earlier, but about the same number farrowing in June-August.

The number of market hogs weighing 60-179 pounds was down 4 percent. Most of these hogs will be slaughtered in the second quarter. Third-quarter slaughter is drawn mostly from market hogs weighing under 60 pounds, which were about the same as a year earlier.



Hog prices may average $39 to $43 per cwt in the second quarter, compared with $43 a year ago. Stocks of frozen pork products totaled 242 million pounds at the end of February, down 16 percent from last year and the lowest since 1979. Hog prices in April and May are influenced by the rate at which frozen stocks are rebuilt. Unless stocks were rebuilt rapidly in March, some price strength potential from stock rebuilding exists for spring. One factor preventing a stronger rise in prices is that although total red meat production is expected to be below last year, the dairy buyout program will raise cow slaughter. This will result in a larger year-over-year supply of nonfed low-priced beef, which competes more with pork for the processing meat market than fed beef does. Also, poultry production is increasing about 3-5 percent this year.

Pork imports during January-February totaled 186 million pounds, the same as a year earlier. Canada increased pork exports to the United States by 12 million pounds, while Denmark's exports declined 8 million pounds. The Canadian dollar has slipped in recent months relative to the U.S. dollar, making Canadian meat cheaper in U.S. currency. However, the Danish krone has strengthened and the EC has reduced its export subsidy, both factors making Danish pork imports more expensive here.

The retail composite pork price averaged $1.69 per pound in January-February, up 2 cents from December and 3 cents from a year earlier. The farm-to-retail spread averaged 97 cents per pound, up 6 cents from December and 9 from a year before. For all of 1986, retail prices are expected to average around $1.65. The farm-to-retail spread may increase 3 to 5 percent over 1985's 91 cents. [*Leland Southard (202) 786-1830*]

• *Broilers*

Broiler production continues to expand as more chicks are placed for future slaughter and more replacement pullets

are added to the hatchery supply flocks. Wholesale prices for whole broilers are holding steady.

First-quarter output was up 3 to 5 percent from 1985 based on slaughter reports and chicks hatched. The preliminary January-February report of federally inspected slaughter of young chickens was 3 percent above last year. This number, though incomplete, is below the 6-percent slaughter increase expected on the basis of chicks hatched 2 months earlier. The weekly slaughter reports, based on a sample of slaughter plants, suggest slaughter was up 5 percent.

Pullets placed 7 to 14 months earlier in the hatchery supply flocks are an early indicator of the industry's expectations and, as such, show production rising 2 percent in the second quarter and 4 percent in the third. Weekly data for chicks placed during March for 12 States show placements up 3 percent from last year.

The composite 12-city price for broilers in first-quarter 1986 was 50 cents per pound, down about 2 cents from last year. Prices in the second quarter are expected to be slightly lower than a year earlier. (*Allen Baker (202) 786-1830*)

• *Turkey*

Producers are continuing to expand turkey output in 1986, and prices are lower.

Federally inspected turkey slaughter during January and February was up 16 percent from 1985. For the first quarter, slaughter likely was 14 percent above last year. Poults placed that can be slaughtered in the second quarter were also 14 percent above last year.

On March 1, stocks of frozen whole turkeys were 34 percent larger than in 1985, while other forms of frozen turkey were up 10 percent. Low prices may have encouraged movement into storage, but if production continues to increase, large numbers of turkeys in storage may help weaken prices later in the year.

Prices of 8- to 16-pound hen turkeys in the Eastern region during first-quarter 1986 averaged 62 cents per pound, down from 69 in 1985. With demand seasonally weak but more turkey placed in storage, prices in the second quarter may average 62 to 66 cents, near 1985's 65 cents. (*Allen Baker (202) 786-1830*)

• *Eggs*

Production in the first quarter was likely down 1 percent from last year because producers cut back orders for replacement pullets in mid-1985. However, improved returns in late 1985 encouraged additional orders for replacement pullets. This expansion is continuing and the February egg-type hatch was up 22 percent from last year. The additional pullets will offset sales of old hens in the second quarter, and egg production will likely equal 1985.

Strengthened by Easter demand, first-quarter prices for cartoned Grade A large eggs averaged 74 cents per dozen, up from 62 in 1985. Prices usually decline in the second quarter as demand slips. Prices in April-June may average 63 to 67 cents, up from 1985's 60.

Costs for producing eggs and marketing them at wholesale in the first quarter were about 66 cents per dozen, giving producers a positive return. If costs remain about the same in the second quarter, producers may only break even. (*Allen Baker (202) 786-1830*)

• *Dairy*

Commercial use of milk is expected to post large increases this year. Meanwhile, gains in milk production will stop because of the whole-herd buyout program. Thus, the dairy surplus will be lower later this year.

Commercial disappearance in 1985 surged to a record 131 billion pounds of milk, up 3.3 percent (3.6 percent on a daily average basis) from 1984 and 7 percent from 1983. Prospects for 1986 commercial use are again favorable, although growth may not be as strong as in the past 2 years. Retail dairy prices are expected to decline slightly, and real per capita income is expected to rise, implying a larger drop in real prices than in most recent years. Unless the economy falters, commercial disappearance probably will gain 2-4 percent in 1986.

Milk production reached 143.7 billion pounds in 1985, up 6 percent from a year earlier and almost 3 percent from the 1983 record. Further, milk production early this year posted large increases from the program-reduced levels of a year earlier. January's 8-percent gain was followed by a 7.5-percent rise in February and 6.7 percent in March. March milk cow numbers were up 2.6 percent from a year earlier, reaching the highest for the month since 1975. However, the size of the herd has contracted slightly from the December peak, largely because of heavier cow slaughter. Output per cow in January-March was up 4.2 percent from a year earlier. This reflected sustained boosts in concentrate feeding since 1985 and the depressing effect of the diversion program a year earlier.

Prices received by farmers for all milk delivered to plants and dealers during 1985 averaged $12.73 per cwt, 72 cents below 1984. The effective all-milk price (adjusted for differences in deductions) was $12.61, down 34 cents from 1984. During January-March this year, the price received by farmers for all milk averaged $12.37 per cwt, $1.30 below a year earlier. For 1986 as a whole, the all-milk price is expected to average 5 to 35 cents lower than 1985. The effective price will be down 25 to 55 cents.

The BLS index of retail dairy prices was below a year earlier in February, but by less than 1 percent. Retail dairy prices likely will drift lower through mid-1986. The wider margins set last year probably will provide a cushion to absorb the modest expected increase in marketing costs. Wholesale markets will likely tighten in late 1986, thus prices will move higher late this year. Retail dairy prices this year may average slightly below 1985. (*Clifford Carman and James Miller (202) 786-1830*)

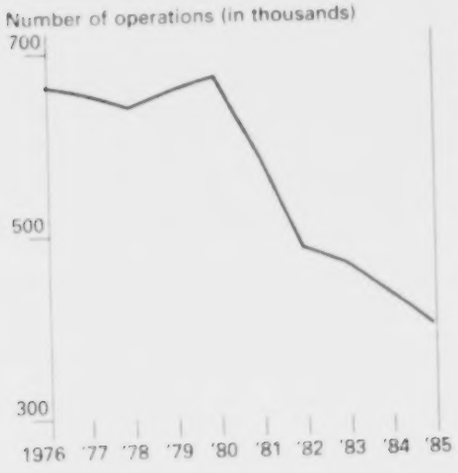
HOG INDUSTRY IN TRANSITION

Since the 1970's, the hog industry has changed from a sideline on crop farms to a main enterprise requiring a large capital investment. In addition, the number of producers has dropped dramatically.

Although cyclical, yearly hog production has remained nearly constant since 1950 at about 18-22 billion pounds liveweight. However, pounds of output comprise almost the only similarity between today's hog industry and the one of the 1950's. Technology, much of which is capital intensive, has moved into all aspects of hog production.

For example, a typical farrow-to-finish enterprise in the North Central States with annual sales of 1,600 head requires an investment in depreciable assets of

Number of Hog Operations Falls...



...While Percent of Hogs on Large Operations* Rises

*Inventory over 500 head.

$380,000 in 1983 dollars. The assets include housing, farrowing crates, and feeding equipment. Larger enterprises that sell 10,000 head annually require an investment in depreciable assets of $1.5 million in 1983 dollars.

By contrast, in the 1950's, very little investment was required for the typical hog enterprise. Hog farmers could readily expand or drop their hog enterprise. Because the investment required for outdoor pens and homegrown feed was low, producers easily moved in and out of hog production as it became more or less profitable, since it was a sideline on a basic crop operation. As a result, pork production was sharply cyclical.

Many Farrowing Facilities Were Built in 1975-80

When grain prices rose in the 1970's, the industry began to change. Many producers became specialized by building or remodeling existing facilities to take advantage of economies of size and investment tax incentives. More than a third of the farrowing facilities in use in 1980 were built or remodeled in 1975-80. The large capital investment required put many farmers heavily in debt.

In the past, expanding pork production was just a matter of the biological time lag. With a larger capital investment, expansion time was increased by the time needed to bring new facilities into production.

Historically, up- or down-swings in hog production have been linked to relative prices of hogs and corn. In recent years, a hog-corn price ratio equal to or above 20-22 to 1 yielded a return to producers that was above cash expenses and replacement costs—a signal for expansion. On the other hand, if the hog-corn ratio equaled or was below 14-16 to 1, cash expenses were not covered and hog numbers were reduced. At present, the hog-corn price ratio is about 19, indicating neither expansion nor contraction.

However, the Food Security Act of 1985 provides authority to lower corn loan rates over the next 5 years, if needed, to bring U.S. prices more in line with world grain prices. In the absence of large export demand or major drought, corn prices at the farm may move down to the new loan rate of $1.92 during 1986/87. If hog prices hold steady, the hog-corn price ratio will then rise to about 24, signaling expansion.

In the past, when corn was the main cash-value input used for hog production, expansion would have been the likely scenario. Producers raised hogs when they could get more for corn marketed through hogs than for corn sold on the cash market. Today, however, the situation is more complicated.

Today, the hog industry reacts to the level of producers' net returns, foreign trade developments, productivity gains, and price relationships in the livestock-grain complex. The question now being asked is: how will hog producers respond to the sharply lower grain prices that are expected this fall because of the new farm bill?

Net Returns Likely Too Low To Trigger Expansion

In 1986, if early projections are realized, the average farrow-to-finish producer may have a return of $4.50 per cwt over cash expenses, but $1.93 below cash and replacement costs. This return is well below the level that triggered expansion in recent years.

For example, receipts less cash and replacement costs reached $7.82 in 1976-78, encouraging a buildup in hog numbers. But when hog prices dropped in 1979 and feed costs rose, returns were nearly a dollar per cwt below cash expenses and replacement costs. Producers liquidated herds until returns rebounded to $4.42 in 1982.

Based on projections for 1987 that assume the corn loan rate will be reduced to the maximum permitted by the farm bill, receipts could exceed cash and replacement costs by $2 to $4. This could lead to expansion.

But feed costs are not the only concern for producers. The North Central States, where 80 percent of the hogs are produced, have been hit especially hard by financial stress. Costs and availability of funds determine whether a livestock producer can retain young female stock for the breeding herd or must sell the stock to maintain cashflow.

Finances, Not Grain Prices, May Determine Expansion

Because the values of livestock inventories and land have declined, livestock producers' equity positions have eroded. From February 1, 1981, to February 1, 1986, national average farm real estate values dropped 29 percent. Losses were greatest in the Corn Belt, Lake States, and Northern Plains, where land values dropped 49, 44, and 40 percent, respectively. The 1981-86 decline in Iowa alone was 59 percent.

The sharp decline in land values, along with relatively low returns to cash grain, hog, and cattle producers in the Midwest, explains why this region has the greatest proportion of farmers who are highly leveraged (40-70 percent debt-asset ratio) or very highly levered (70-100 percent debt-asset ratio). The Midwest and the Delta regions have the highest proportion of technically insolvent operators (over 100 percent debt-asset ratio).

The continuing decline in land values will limit livestock producers' ability to expand, even if livestock prices rebound. Currently, producers have liquidated breeding herds because of financial difficulties. This may reduce the size of future livestock cycles because lenders

may be more reluctant to finance expansion of livestock enterprises. Thus, finances, not grain prices, are currently playing a major role in expansion decisions.

Competition Increasingly a Problem

Foreign competition also now affects hog producers' decisions. In the past, the balance of U.S. trade in pork products and live hogs was relatively stable at around 500 million pounds of imports a year and could essentially be ignored in assessing economic conditions of the pork industry. But, pork imports, mainly from Canada and Denmark, have since risen to over a billion pounds per year.

In 1981, the United States imported only 145,695 Canadian hogs, but the number rose to 1,322,017 by 1984. Now, with countervailing U.S. duties of $4.39 Canadian per cwt in effect, exports from October 1985 to February 1986 have slowed more than 6 percent compared with a year earlier. But, Canadian competition could remain a problem. Canadian producers are affected by the same general conditions as U.S. producers, except that Canada has a number of price stabilization programs which ease financial stress for its producers.

Productivity Gains Have Been Steady

Productivity also is more and more determining producers' decisions to expand breeding herds or not. As hog operations have become larger, output per breeding animal has increased, giving more final meat output from the same size breeding herd.

For example, in December 1984-May 1985, 6.13 pigs were produced per breeding animal. In contrast, only 5.42 pigs per breeding animal were produced in December 1979-May 1980. The output per breeding animal in 1985 as a whole was 13 percent higher than in 1980. For sows farrowing during June-November 1985, 6.21 pigs were produced per breeding animal, compared with 5.21 in 1980—an increase of 19 percent. During December 1985-February 1986, pigs per animal were up 3 percent from a year before.

If this continual productivity growth goes on, a modest increase in pork production could be achieved with a stable breeding herd. Thus, the next expansion in pork production is likely to be more of a productivity increase than a buildup of hog numbers.

Farrow-to-Finish Production Costs, 1976-86

Year	Cash receipts	Cash expenses	Capital replacement costs	Receipts less cash expenses	Receipts less cash expenses and replacement costs	Commercial pork production
	Dollars per cwt					Million pounds
1976	43.05	34.72	5.00	8.33	3.33	12,488
1977	39.88	33.20	4.55	6.68	2.13	13,052
1978	47.11	34.30	4.99	12.81	7.82	13,209
1979	42.74	37.93	5.76	4.81	-.95	15,270
1980	39.60	41.07	5.15	-1.47	-6.62	16,432
1981	43.87	45.25	5.59	-1.38	-6.97	15,716
1982	54.47	44.24	5.81	10.23	4.42	14,121
1983	46.92	46.64	6.19	.28	-5.91	15,711
1984	48.14	46.50	5.95	1.64	-4.31	14,720
1985	44.11	39.83	6.24	4.48	-1.76	14,726
1986	42.92	38.42	6.43	4.50	-1.93	14,400

1986 projected.

Analysis More Complex

How large a role will grain prices play? Analyzing the reaction of the hog industry to grain price changes is much more complicated today than in years past, when small herds were kept on the majority of farms and most producers used the same level of technology. In the past decade, as hog enterprises have grown larger and much more capital intensive, response to economic incentives has tended to occur more slowly than when there were many small producers.

Many Midwestern farms with small to medium-size operations may do better this year by marketing corn through hogs than by selling it for cash. The opportunity depends upon the stability of hog prices, how much excess facility capacity they have, and their willingness to accept less than market price for their labor.

In the Corn Belt, the typical farm with a farrow-to-finish enterprise also grows corn and soybeans. According to a recent ERS study, mixed grain and livestock farms with annual sales of 3,000 head or less typically feed only part of their corn production to hogs and sell the remainder. However, farms with large farrow-to-finish operations (10,000 annual head sales) feed all the corn they produce to their hogs plus purchase additional feed to meet requirements.

Smaller operations can assess alternatives in terms of available labor and hog production capacity. If a farm has available labor and facilities, cash production expenses other than for corn costs come to about $24 per cwt of hogs produced. About 6.3 bushels of corn are needed to produce a cwt of pork.

So, on a cash basis, if hogs are selling for $42 per cwt, the producer gets a return of about $2.88 per bushel of corn fed, if a charge is not made for labor. About $4.25 worth of labor is required per cwt of hog production. If this cost is accounted for, the return per bushel from $42-per-cwt hogs falls to $2.18. If capital replacement costs of about $6 per cwt are accounted for, the return per bushel drops to $1.07. But for each $1 increase in the price of hogs, an additional 16 cents for each bushel of corn fed is added to returns.

According to the Statistical Reporting Service, the large producers (inventory of 500 head and over) probably grew about 55 percent of the hogs in 1985, compared with about 35 percent in 1977. Despite higher returns to the larger producers, they also have a much larger investment and corresponding debt. However, because larger producers have the newest and probably most efficient facilities, they are usually in a better position to increase productivity.

Intermediate-Size Producers May Be in Best Position To Expand

Unlike earlier years, this year the potential for expansion in hog production seems to be with the intermediate-size producers who typically produce more corn than is needed for their hog enterprise and have underutilized facilities and labor. These producers can likely increase their returns by marketing more of the corn they produce through hogs.

Large-scale hog raisers probably would have to expand facilities to take advantage of low feed prices. This could require considerable time. While some of the smallest scale producers probably will quickly expand production, as they have always done when the hog-corn price ratio has turned favorable, they now only account for about 10 percent of all hogs produced. (*Leland Southard (202) 786-1830*)

THE EFFECT OF CHEAPER FEED ON THE CATTLE SECTOR

The 1985 farm bill is based in large part on the expectation that lower farm prices will increase consumption of feed grains, soybeans, and other feedstuffs—by boosting exports and/or by increasing domestic livestock and industrial consumption. Historically, low feed prices have led to expansion in the livestock sector and increased consumption of feedstuffs.

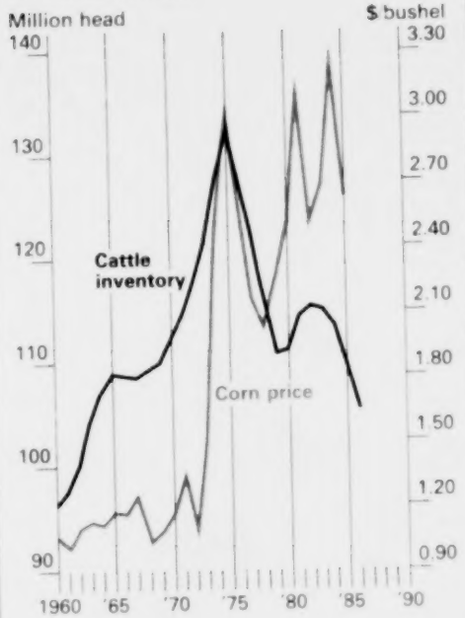
The loan rate on corn is dropping from $2.55 a bushel in 1985/86 to $1.92 in 1986/87. Cattle accounted for about 22 percent of the concentrate feedstuffs fed to livestock and poultry in 1983/84. Hogs consumed 27 percent, poultry 25, and dairy cows, 17. Since the cattle sector is a major domestic consumer of feed grains and oil meals, effects of lower grain prices on this sector are particularly worth watching.

Since 1980, receipts from fed cattle have been less than cash expenses plus capital replacement costs. However, farm prices for beef cattle are expected to increase as red meat output declines this year. Thus, lower feed costs plus higher cattle prices should result in improved returns for cattle producers. Last year, concentrate feed costs accounted for about 9 percent of cash expenses for cow-calf production and 20 percent for fed beef.

Feedlot Placement Climbs

The most important role of feed grain prices in the cattle sector is in determining the level of feedlot activity. Placement of cattle into feedlots generally goes up when feed grain prices decline (other factors held constant), and nonfed steer and heifer slaughter go down. Corn prices also indirectly affect cow slaughter, the number of heifers entering the cow herd, and the calving rate.

Cattle Inventory Reflects Rise and Fall of Corn Prices



Production changes that occur in reaction to feed price changes occur slowly. Biology influences the response to a change in feed prices. The usual lags in production decisions, added to biological considerations, determine the cyclical swings in cattle production. A full cattle cycle includes (1) expansion of herds (as producers hold more animals for breeding, usually after a period of strong beef prices), (2) a period of large meat supplies and then declining prices, and (3) liquidation (as producers slaughter more animals, rather than hold them for breeding).

Current Cycle Began in '79

The current cattle cycle started in 1979 with nearly 111 million head on farms and ranches. Numbers rose to 115 million in 1982 before declining to 105.5 million at the beginning of 1986.

Cattle cycles average about 10 years from beginning to end, with the buildup phase taking 5 to 7 years. The liquidation phase usually lasts only 3 to 5 years, as increases in income and population shorten the period of liquidation by boosting meat prices again. Cycles in the early 1900's lasted 14 years, because income and population growth were not vigorous enough to shorten the liquidation side of the cycle.

The 3-year expansion in cattle numbers at the beginning of the current cycle was very short by historical standards. After initially strong cattle prices in 1978-79, herd expansion was limited by ample pork supplies during 1980-81, helping to keep a lid on cattle price rises after 1981 and reducing net returns.

Herd liquidation began in 1982, and was abetted by drought-reduced forage supplies in 1983 through 1985. Liquidation began as a result of continued record meat supplies, poor financial conditions resulting from low cattle prices, and negative net returns. As a result, the cattle inventory on January 1, 1986, was the lowest in 20 years.

Slaughter Will Keep on Shrinking

The reduced inventory of the past couple of years not only affects current beef output, but will influence production for the next couple of years, regardless of feed price changes. The small calf crop that will provide slaughter animals for meat production 2 years hence is the direct result of today's reduced cow herd.

The current inventory of 45 million cows is below the recent peak of 50 million in 1982. With the Dairy Termination Program removing almost 1 million cows, and net returns to beef cow-calf operators continuing low, the cow herd will likely go on shrinking through 1987. The smaller cow herd will produce fewer calves. Thus, cattle slaughter will probably decline through 1989 or possibly even longer.

70 Percent of Beef Output Change Due to Corn Price Changes

A simulation model used by ERS analysts shows that about 70 percent of the variation in beef production is accounted for by corn price changes of 1 year earlier and 5 years earlier. These relationships reflect the biological lags in beef production adjustments after changes in feed prices.

As feed prices decline and feeder cattle prices are consequently bid higher, producers initially withhold female stock

Feeder Steer Prices Consistent with Assumed Corn and Choice Steer Prices

Corn (support price)	Choice steers, $/cwt					
	45	50	55	60	65	70
$/bu.	Feeder steers, $/cwt					
1.92	40.27	49.07	59.87	66.67	75.47	84.27
2.55	34.87	43.67	52.47	61.27	70.07	78.87

Biological Time Lapses Before Cheaper Feed Is Reflected in Livestock Production

	Cattle	Hogs	Broilers	Eggs	Turkey
			Months		
Conception to slaughter/ prod. 1/	26–28	9–10	3	5–6	6
Conception to enter breed. stock 2/	23–27	11–13	7	6	8
Conception to slaughter/ prod. from added breed. stock	49–55	20–23	10	11–12	14

1/ An additional 2–3 months may pass before producers respond to an economic stimulus as they confirm the permanence of the change.
2/ Process can be shortened by retaining for breeding current mature stock that was destined for slaughter; this lowers current or near-term production.

Cattle Inventory, Production, and Net Returns, 1976-85

Year	January 1 Cattle inventory	Cattle on feed	Cows	Commer. beef prod.	Corn price 1/	Cow-calf receipts–cash expenses	Fed cattle receipts–cash expenses
	Mill. head			Bil. lbs.	$/bu.	$/cow	$/cwt
1976	128.0	12.9	55.0	25.7	2.15	-11	—
1977	122.8	12.5	52.4	25.0	2.02	-16	-.90
1978	116.4	13.4	49.6	24.0	2.25	60	6.77
1979	110.9	13.2	47.9	21.3	2.52	123	-3.73
1980	111.2	12.1	47.9	21.5	3.11	56	-6.26
1981	114.4	11.5	49.6	22.2	2.50	-3	-8.26
1982	115.4	10.6	50.2	22.4	2.68	-12	-1.35
1983	115.0	12.0	49.0	23.1	3.25	-22	-6.30
1984	113.7	11.5	48.6	23.4	2.67	-21	-2.35
1985	109.7	12.4	46.2	23.5	2.30–2.45	-14	-6.25
1986	105.5	11.3	44.8				

1/ Season average farm prices.

from slaughter to expand future beef production. So, current beef production declines. However, after 5 years, lower feed prices (all other things equal) result in expanded beef production. Based on recent studies, a 25-percent decrease in corn prices lowers beef production 2.6 percent in 1 year's time, but increase beef production 2.4 percent over initial levels in 5 years' time.

Another effect of lower feed prices is that in the short run, they raise prices paid for feeder steers. Because more animals are destined for feedlots, the supply of nonfed steers decreases and heifer slaughter goes down, while fed slaughter increases. A decrease of 60 to 65 cents per bushel in the price of corn allows feeders to boost their bids for feeder steers by about $5.40 per cwt and still break even.

What the Simulation Model Shows

The feed-livestock industry model simulates changes from fall 1986 through 1990. These are changes that could result from a 25-percent reduction in feed prices from 1985, the base scenario. The model's outcome: cow slaughter by 1987 declined by about 1 percent from the 1985 base. Because more heifers were retained, the calf crop increased 3 to 4 percent. Cow slaughter then increased over the base by about 4 percent in 1988 and was 10 percent over the base in 1989 and 1990.

These movements in cow slaughter and heifer retention were the opposite of feeder steer price changes. Feeder steer prices were 4 percent higher than the base during 1986-87, then were substantially below the base through 1990 as producers adjusted to lower grain prices.

Higher feeder steer prices in 1987 and decreases in the nonfed steer and heifer slaughter from the base reflected the larger feedlot placements following the decline in feed prices. Steer and heifer placements remained at about 18 percent above the 1985 base through 1990.

Total steer and heifer slaughter in the model initially declined in 1987 as the cow-calf sector attempted to expand. However, after 1988, total steer and heifer slaughter increased as the initial expansion was marketed.

Selected Cattle Sector Impacts of a 25-Percent Drop in Feed Grain Prices, 1986-1990

Item	1987	1988	1989	1990
	Percent change			
Cow slaughter	-1	4	10	10
Replacement heifers kept	1	2	1	-1
Calf crop	3	4	3	2
Feeder steer price	4	-6	-11	-12
Fed steer price	-1	-1	-12	-13
Beef & veal CPI	1	-4	-6	-7
Feedlot placements	17	18	18	18
Fed steer & heifer slaughter	8	14	17	18
Nonfed steer & heifer slaughter	-81	-74	-43	-32
Total steer & heifer slaughter	-2	10	15	16
Cow-calf total revenues	4	-5	-10	-12
Feeding total revenues	7	5	3	3
Cow-calf total revenues minus feed costs	16	1	-6	-8
Feeding total revenues minus feed costs	14	9	6	6

*From "Quarterly Livestock Sector Adjustments to Changes in Feed Grain Prices," Paul C. Westcott, Richard P. Stillman, and Keith Collins; ERS, USDA.

Consumer Prices May Rise Initially
U.S. consumers may actually face higher retail beef prices for about a year—because of the initial decline in beef production that occurs when producers hold more animals for breeding. Total revenues and net returns for cattle feeders will be higher because of lower feed costs, but the improvement in returns expected for 1987 will diminish in later years as beef slaughter increases.

Net revenues for cow-calf operators will probably rise in 1987 and 1988 as a result of the lower feed prices. However, the increase in beef slaughter in the long run will eventually push down prices. As a result, cow-calf operators, for whom feed costs are only 9 percent of total cash costs, could actually see net returns drop after several years because of lower grain prices. [*Terry Crawford (202) 786-1830 and Russell Bowe (202) 786-1821*]

CROP HIGHLIGHTS

• *Wheat*
The 1985/86 marketing year ends May 31, and the tally is likely to reflect the lowest wheat utilization rate in 10 years—under 2 billion bushels for the first time since 1977/78. Lower demand for U.S. wheat is expected to increase old-crop stocks to a record 1.9 billion bushels and reduce the average farm price for wheat to $3.00-$3.20 a bushel, the lowest in 6 years. U.S. wheat exports in 1985/86 will be off over one-third from last year, falling to the lowest level in 13 years.

World wheat production for 1985/86 is estimated at 504 million tons, down 11 million from the preceding year. The 1986/87 wheat harvest has begun in Bangladesh, India, and Pakistan, where the crops are reportedly in good to excellent condition.

World wheat trade for 1985/86 continues slow and is expected to reach only 88 million tons, down 18 million tons from last year. Slower-than-anticipated sales and shipments to the USSR have reduced the Soviet wheat import forecast to 17 million tons, down 11 million from last year. Import forecasts were also reduced in April for China, Algeria, Indonesia, Iran, and Iraq; many importers are apparently postponing wheat purchases until the summer, when prices are expected to drop significantly.

A number of new wheat initiatives under the Export Enhancement Program (EEP) have been recently announced, with the most significant being offers of 1,000,000 tons to Algeria and 700,000 tons to Syria. Initiatives were also announced for Benin, Jordan, Yugoslavia, and Tunisia. Also under the EEP, Algeria purchased wheat for summer delivery at $85 per ton, f.o.b., compared with a March average f.o.b. HRW price of $136. While no one expects world prices to drop this sharply in coming months, it does illustrate the anticipated price decline expected when the new U.S. loan rate goes into effect.

The U.S. winter wheat crop usually accounts for about three-fourths of annual domestic production and generally sets supply and price direction for the crop season. Overall, 1986 winter wheat weathered a relatively mild winter and came out of dormancy with minimal losses. Abnormally cold temperatures last fall and winterkill may lower Soft Red Winter wheat yields and harvested area in the Central producing States. Below-normal winter moisture over some areas of the Great Plains will require at least normal spring rains to produce a good harvest.

Spring wheat growers intend to seed most of last year's 17 million acres in wheat again; however, some switching from Durum to higher-priced Hard Red Spring varieties is expected.

Early estimates for 1986 wheat production suggest that although total planted area is down 6 percent, higher yields on the more productive planted acres could offset the acreage cut. Thus, the harvest could match 1985's 2.42 billion bushels. [*Allen Schienbien (202) 786-1840 and Scott Reynolds (202) 786-1691*]

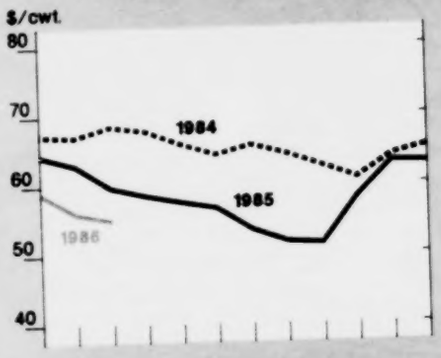
• *Rice*
World ending stocks are expected to climb nearly 9 percent to about 24 million metric tons in 1985/86. Much of the buildup is in the United States.

However, significantly lower U.S. prices starting in mid-April will likely lead to a resurgence in U.S. exports during the remainder of calendar 1986. Loan rates on 1985-crop rice averaged $8 per cwt, nearly double the prices charged by competing producers.

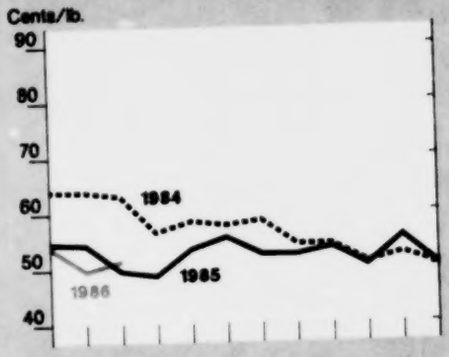
In accordance with the Food Security Act of 1985, USDA announced in late March a formula for determining 1985 crop loan repayment rates. The rates are based on prevailing foreign export prices and are expressed on a U.S. whole-kernel loan-rate basis. Rates are specified for long grain, medium/short grain, and broken rice. The first repay-

Commodity Market Prices: Monthly Update

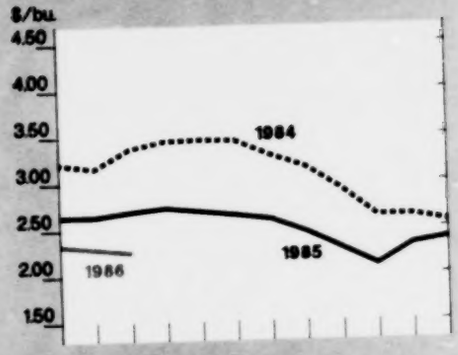
Choice steers, Omaha



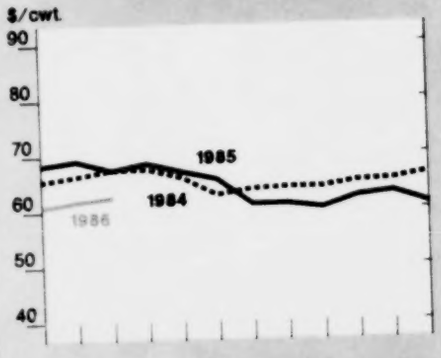
Broilers, 12-city average



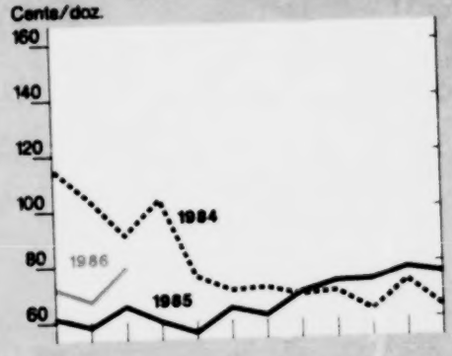
Corn, Chicago[3]



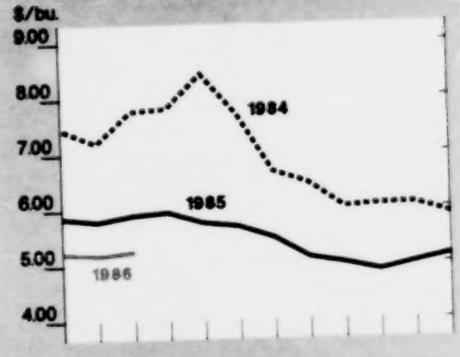
Feeder cattle, Kansas City[1]



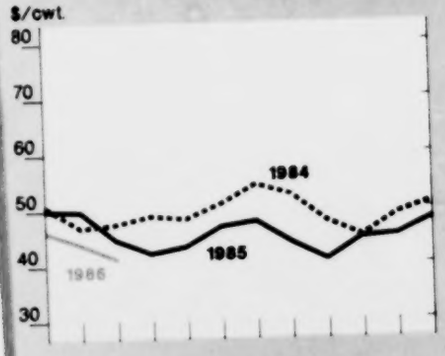
Eggs, New York[2]



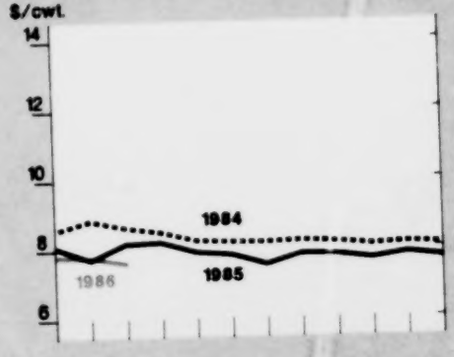
Soybeans, Chicago[4]



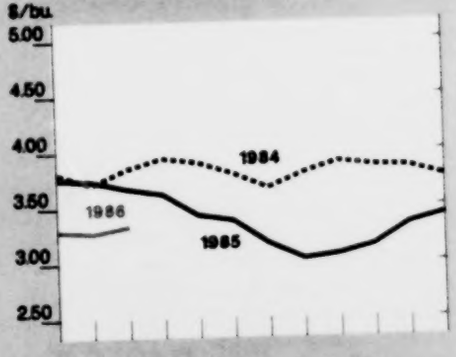
Barrows and gilts, 7 markets



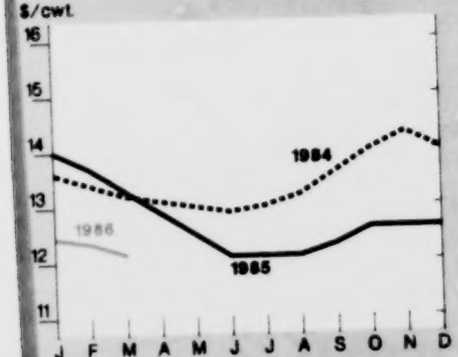
Rice (rough), SW Louisiana



Wheat, Kansas City[5]

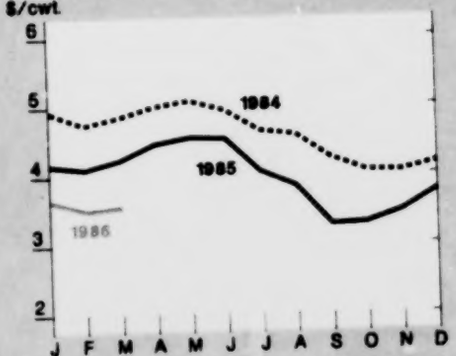


All milk



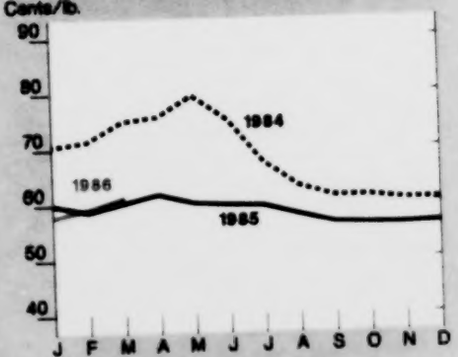
[1]600–700 lbs., medium no. 2.

Sorghum, Kansas City



[2]Grade A Large.

Cotton, average spot market



[3]No. 2 Yellow.
[4]No. 1 Yellow.
[5]No. 1 HRW.

ment rates became effective April 15, and USDA will announce revised rates weekly. The first repayment rates for farm-stored loans were announced at $4.12 per cwt for long grain and $4.45 per cwt for medium/short grain, rough rice.

U.S. rice exports will likely post large gains in 1985/86 in Latin America and Western Europe, and smaller gains in the Middle East and Africa. Supply shortfalls in Brazil and Peru, combined with lower U.S. export prices, present a great opportunity for U.S. sales to Latin America in the coming months. Intensified efforts by all exporters to maintain export volumes and shares may cause prices to fall even further in the near future.

Increased program participation points to reduced acreage for 1986/87. Nearly all eligible rice producers probably signed up for the 1986 program, compared with 92 percent in 1985/86. In a March survey, producers indicated they will plant 10 percent fewer acres in 1986 than last year. Most of the reduction will occur in Texas, where producers said they will cut acreage 33 percent. Arkansas producers, on the other hand, indicated they will plant the same amount as last year.

Texas producers may sharply reduce plantings because of higher production costs and a reduction in the long grain loan rate. Nearly all rice produced in Texas is long grain, and the long grain milled loan rate for 1986/87 was reduced more than $2 per cwt. Producers with production costs above the loan rate are expected to plant less acreage than permitted. If a producer plants a minimum of 50 percent of permitted acreage to rice, she will receive deficiency payments on 92 percent of permitted acreage. [*Janet Livezey (202) 786-1840 and Scott Reynolds (202) 786-1690*]

• *Feed Grains*

While some Southern Hemisphere coarse grain crops are yet to be harvested, enormous world production in 1985/86 is virtually assured. The huge crop goes along with increased supplies of feed-quality wheat and plunging coarse grain exports.

U.S. farm prices of corn, grain sorghum, and barley are 10 to 15 percent below a year ago, and oat prices are 30 percent lower. Record U.S. grain yields and crops, weak export markets, and anticipation of new, lower price supports for 1986 are weighing on prices. Attention is already shifting to 1986/87 production and world and U.S. coarse grain trade prospects.

Foreign coarse grain production for 1985/86, at almost 570 million tons, is barely below last year's record. In 1984/85, crops in Western Europe, Eastern Europe, and China all reached record levels, and outturn remained high among the major foreign producers in 1985. However, U.S. production rose 15 percent in 1985/86. By year's end, 71 percent of the world's coarse grain stocks and a whopping 82 percent of corn stocks are forecast to be in the United States (see "Agricultural Economy" writeup).

As a result of huge global supplies (over 940 million tons), competition among major exporter countries has intensified, and competition from other commodities has had an impact on coarse grain demand. Recent wheat production gains in the EC have been largely in feed-quality wheat, which has reduced the EC's need to import corn but has kept barley export requirements high.

Evidence of heightened competition among the major foreign coarse grain exporters (Argentina, Australia, Canada, South Africa, and Thailand) can be seen in their export forecast of almost 28 million tons and their expected 31-percent market share. Both the absolute level and the market share are the highest since 1981/82. In Argentina, easily the largest of these exporters, yield prospects remain very high for both corn and sorghum, in spite of bad weather. In addition, the quality of the crop is above average.

Although it is not considered a major coarse grain exporter, China's production and sales have increased dramatically in recent years. China's coarse grain sales are forecast at 4.7 million tons in 1985/86, second only to the record of a year earlier. Corn sales account for 4.5 million tons, sorghum the remainder. Much of this trade flows to Asian markets and the Soviet Union—traditionally major U.S. customers.

Coarse Grain Exporters' Shares of World Trade

Year	U.S. exports	Competitor exports 1/
	Million metric tons	
1980/81	69.5	28.4
1981/82	58.4	28.8
1982/83	54.0	24.3
1983/84	55.8	25.4
1984/85	55.5	25.0
1985/86	44.0	27.5

1/ Canada, Australia, Argentina, South Africa, Thailand.

The forecast for U.S. exports in 1985/86 remains poor. U.S. sales have been sluggish in recent months. USSR purchases of U.S. corn have slowed, and declining oil revenues are causing Mexico to feed more domestic wheat and import less coarse grain from the United States.

Continued slow sales are likely until lower loan rates bring reduced prices this fall. The United States' 1985/86 exports are likely to be the lowest in over 10 years—under 44 million tons. If this forecast is realized, U.S. exports will be more than 11 million tons below last year, and the U.S. share of world exports will decline from around 60 percent in the early 1980's to under 50 percent.

Despite the drop in season average corn prices from $2.62 in 1984/85 to an estimated $2.30-$2.45 this year, domestic feed use is flat. The January 1, 1986, cattle inventory was 105 million head, about 96 percent of 1985, and a 23-year low. The inventory declined for the fourth straight year. Cattle on feed were about 8 percent below a year earlier. However, the decline in cattle feed demand is being offset by increased demand from poultry producers, who show about a 6-percent increase in animal units for 1985/86.

The inventory of hogs and pigs on March 1 was 3 percent below a year earlier, with the breeding inventory down about 4 percent. However, increased pigs per litter and heavy slaughter weights will likely make up for the drop in inventory, leading to little change in feed demand.

Placement of 1985-crop grain under CCC loan continues, but at a greatly reduced rate. In March, total accumulated corn loans were 2.9 billion bushels, roughly a third of the crop, and about half of the total eligible for loans. [*David Hull (202) 786-1840 and James Cole (202) 786-1691*]

• *Oilseeds*

World oilseed production for 1985/86 is nearly complete and will be record large, mainly because of gains in U.S. output. Brazil's drought-reduced crop is affecting the pattern of world trade but has done little to strengthen prices in the face of large global oilseed supplies.

Weak demand, particularly for vegetable oils, has severely reduced prices in recent months.

Soybean and soybean oil prices during October-March averaged well below a year earlier. Soybean meal prices strengthened somewhat, but in terms of foreign currencies they actually dropped, because of the declining dollar.

The dollar's decline, which reduces the price of soybean meal to importers, has done little to increase European use. U.S. exports to Europe are up sharply this year mainly because of reduced competition. Surplus grain supplies continue to stimulate greater use of grain and other alternative feedstuffs. However, soybean meal export estimates were raised in April because of strong U.S. sales through March.

U.S. soybean trade prospects are brighter in 1985/86 than a year earlier, partially because the USSR has purchased more than 1.5 million tons of U.S. soybeans. The Soviets are trying to boost their output of meat and other animal products.

U.S. soybean oil exports will also depend heavily on credit allocations and the recipient countries' credit use. Mexico requested and received increased credit for vegetable oils.

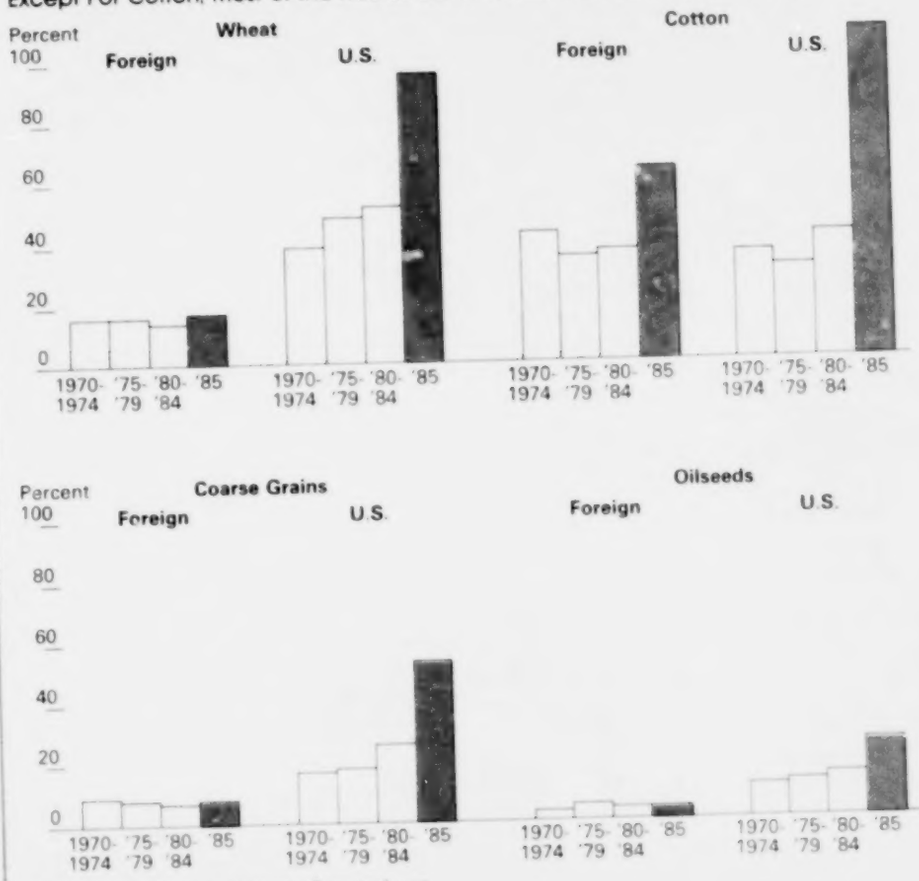
The vegetable oil market is in the doldrums. Although 1985/86 U.S. edible oil use is projected to rise by better than 4 percent over 1984/85, domestic soybean oil use is expected to be unchanged. Rising availabilities of vegetable oils worldwide, particularly palm oil, will hold down prices and domestic use of soybean oil. U.S. soybean oil exports will likely be down from a year earlier. Prices for 1985/86 are expected to average between 17 and 19 cents a pound. Palm oil imports could exceed 600 million pounds in 1985/86, compared with 373 million in 1984/85.

According to the U.S. Export Sales Report, cumulative soybean meal exports by mid-March exceeded last year's exports by 19 percent. Soviet soybean purchases and prospects for below-trend production in South America have boosted U.S. sales of both soybeans and soybean meal.

U.S. soybean prices (#1 yellow, Central Illinois) ranged between $5.23 and $5.34 a bushel during March, after averaging $5.25 in February. The loan rate of $5.02 a bushel is supporting market prices; free stocks are tight and loans are being redeemed to satisfy demand. Consequently, the loan rate and interest and transportation costs paid by redeeming farmers are the price "floor." At the same time, prices are tempered by farmers' expectations of market prices next summer.

The March 18 Planting Intentions Report indicated farmers intend to plant 62 million acres of soybeans in 1986, down from 63.1 in 1985. The eastern Corn Belt States are holding plantings at 1985 levels. Further west in Kansas and Nebraska however, acreage intentions are higher. [*Jan Lipson (202) 786-1691 and Roger Hoskin (202) 786-1840*]

Except For Cotton, Most of the Rise in World Stocks* is Occurring in the U.S.



*Ending stocks as a percent of annual use.

• *Cotton*

World cotton supplies continue at record levels and prices are still falling, despite a significant reduction in 1985/86 production estimates this month. World ending stocks, at 47 million bales, are estimated to be 10 percent over the already excessive stocks of 1984/85. Importers continue to defer purchases in anticipation of lower prices under the 1986/87 cotton program, which takes effect on August 1.

The estimate of 1985/86 world cotton production was lowered in April as a 5-million-bale drop reported in China's official statistics offset a 23-percent year-over-year increase in Pakistan and a small increase in India. While the change in China's crop is dramatic, it will have little impact on world markets because it does not significantly alter the problem of world cotton oversupply.

Pakistan's cotton output is likely to total 5.7 million bales. Because of its very low production costs, Pakistan can continue to profit from cotton exports, even at prices below current levels. This continued growth is only exacerbating the world oversupply problem and increasing export competition.

The U.S. cotton outlook for the balance of this season and 1986/87 is being shaped by the 1986 farm program.

Heavy participation in the 25-percent acreage reduction program and more underplanting of permitted acreage than usual are cutting planted acres by an estimated 1 million from 1985. If 1986 yields are closer to trend than last year's record-high average, production could be well below the 13.5 million-bale mark reached last year.

Disappearance of U.S. cotton likely will increase next season from the 8.2-million-bale total expected for 1985/86. U.S. cotton prices will certainly be more competitive, so exports should rebound sharply from this season's low level. Futures prices for the 1986 crop fell below 40 cents a pound in April, nearly 25 cents below old-crop prices. [*Sam Evans (202) 786-1840 and Carolyn Whitton (202) 786-1691*]

• *Tobacco*

On April 7, the President signed legislation (P.L. 99-279) that changes the quota-setting procedures, price support calculations, and other features of the tobacco program. The act also makes the 16-cent Federal cigarette excise tax permanent and places a 24-cent-a-pound Federal excise tax on snuff and an 8-cent-a-pound tax on chewing tobacco.

Under the new legislation, the 1986 flue-cured support level was lowered to $1.438 a pound and the burley support was held at $1.488, the same as last season. In future seasons, the supports will be based on a 5-year moving average of market prices and a cost-of-production index. The legislation voids the flue-cured quota announced December 31 and the burley quota announced February 28. New quotas will be announced by April 28.

U.S. tobacco growers indicated in early March that they intend to reduce this year's total crop area about 7 percent to 649,000 acres, the lowest since 1879. This is in response to anticipated cuts in the effective quota for flue-cured and burley. Flue-cured growers intend to plant a record-low 336,000 acres.

If yields are average, the smaller acreage would lower this year's U.S. tobacco crop about 10 to 15 percent from 1985's 1.55 billion pounds. The supply of domestic kinds for 1986/87 would fall from this season's level.

The smaller 1985 crop lowered the domestic leaf supply to 5.33 billion pounds, 3 percent below the previous year. On January 1, 1986, off-farm domestic stocks were 1-1/2 percent lower than a year earlier. With a reduction in domestic use more than offsetting a hike in exports, total use of U.S. tobacco during 1985/86 may decline about 1 percent. October 1 carryover stocks of all tobacco may decline from a year earlier, though.

Maryland auction markets opened March 18. Prices averaged $1.47 a pound the first week of sales, 3 cents below a year earlier. [*Verner N. Grise (202) 786-1840*]

• *Fruit*

The March index of prices received by growers for fresh and processing fruit, at 151 (1977 = 100), was 2 percent below February and was the fourth consecutive monthly decline. The drop was attributed to lower prices for lemons and strawberries.

March's index was 15 percent below last year, when the Florida freeze and sharply reduced supplies of California navel oranges pushed U.S. orange prices drastically higher. Increased strawberry shipments, particularly from California, have kept this year's prices weak. However, smaller supplies and strong demand have pushed prices of grapefruit, lemons, apples, and pears well above a year ago.

Grower prices are expected to strengthen through late spring and summer because of the smaller California Valencia crop, declining supplies of apples and pears, and the likelihood of reduced summer fruit supplies from recent bad weather in the Southeast and California.

Retail fresh fruit prices in February were 2.6 percent above a year earlier. Apples and bananas both posted gains. Retail prices of Red Delicious apples averaged 72.7 cents a pound in February, almost 8 percent above a year earlier, primarily reflecting smaller supplies, particularly from Washington.

Despite a 9-percent increase from 1985 in January banana imports, retail banana prices averaged 37.8 cents a pound in February, up 12 percent from January but the same as a year earlier. Retail prices of grapefruit and oranges averaged moderately to substantially below a year earlier, but lemon prices were well above. Strong demand and lower remaining supplies of apples, pears, and citrus should keep retail prices above 1985.

Retail prices of processed fruit in February were 0.7 percent below a year earlier. The decline was primarily attributed to lower prices of frozen fruit and juices. Brazil recently announced elimination of minimum export prices for frozen concentrated orange juice and reduced export prices from $1,000 to $800 a metric ton (65 degree Brix). Also, stocks of most canned fruit are larger than last year. These two factors may push retail prices for processed fruit still lower. [*Ben Huang (202) 786-1766*]

• *Vegetables*

Processors intend to contract 1.3 million acres this spring for the five major processing vegetables, (snap beans, sweet corn, pickling cucumbers, green peas, and tomatoes) 7 percent fewer than 1985. Most of the acreage reductions will occur for canning vegetables. With these acreage reductions, 1986 processing vegetable production will be around 11.5 million tons, 2 percent below 1985. Acreage declines are a result of lower average wholesale prices in 1985, sluggish movement, and ballooning stocks.

Stocks of canned green peas in February, at 15.2 million cases, were a whopping 66 percent higher than last February. However, prospects are bright that the 15-percent acreage cutback, combined with average yields, will bring the pack down about 16 percent, near the 1984/85 level of 23.3 million cases.

If average yields hold, processors of canned green beans are facing the lowest pack in years—near 1983/84's short 46.5 million cases. The 7-percent reduction in canning acreage is expected to counteract the 7-percent larger February 1 stocks of 34 million cases. If these large February 1 stocks are sold, the 1986 carryout is likely to be around 9.5 million cases or 22 percent above last year.

Fewer acres will be devoted to fresh spring vegetables because of low returns in 1985. First-quarter grower prices were 8 percent below the same period last year, as mild weather provided ample supplies. This year's spring flush of the seven major vegetables is expected to be down slightly from last year. Prospective area for harvest of broccoli, carrots, cauliflower, celery, sweet corn, lettuce, and tomatoes is 161,550 acres, down 5 percent from 1985. Most of the

cutbacks are in lettuce and tomato acreage, down 10 and 8 percent, respectively.

The 1985/86 season average potato price is reported around $3.91 per cwt, down 31 percent from last season. Total cash receipts for last year fell 22-24 percent because of lower prices and a higher-than-average culling rate. [*Shannon Reid Hamm (202) 786-1767*]

• *Sugar*

World sugar prices (f.o.b. Caribbean, Contract No. 11) averaged 5.83 cents per pound in first-quarter 1986, 58 percent above a year earlier. Futures prices in early April climbed to around 9 cents, their highest in over 2 years. Recent price strength is probably attributable to reports of unexpectedly heavy buying in the world market by countries such as the USSR, India, and Pakistan.

For 1985, world prices averaged 4.04 cents, the lowest since 1970, even without adjusting for inflation. The most recent 10-year average is 10.92 cents a pound. Although many trade sources predict that 1985/86 will see a global stock drawdown of 1 to 3 million metric tons, raw value, carryin stocks were record large, so further price effects will be limited.

As measured by the nearby futures prices (Contract No. 12), U.S. raw sugar prices averaged 19.15 cents a pound in fourth-quarter 1985, well below the market stabilization price (MSP) of 21.50. Prices strengthened in first-quarter 1986 to 20.70 cents a pound, because of the prospect of smaller 1985/86 supplies.

In 1985, the U.S. average retail price for sugar was 35.3 cents a pound. It stayed at that level in January and February. This level should hold through 1986, since both raw and wholesale prices are expected to rise only slightly.

Prospective plantings for the 1986 sugarbeet crop are 1.19 million acres, up 5.5 percent from a year earlier. Most of the large increases are expected in the Eastern beet-growing States, with prospective acreage up 7 percent in Ohio, 9 percent each in Michigan and Minnesota, and 14 percent in North Dakota. Acreage has risen in Minnesota and North Dakota as some factories have boosted capacity by using frozen beets to extend the processing campaign.

Acreage will likely be up in every State except Texas and California, which may drop 1 and 3 percent, respectively. California's acreage will decrease because of problems with virus diseases. Assuming a normal yield of 20.7 tons per acre and sucrose recovery of 12.8 percent, 1986 beet sugar production could be 3.0 to 3.1 million tons, raw value, compared with 1985's 2.95.

Although no acreage was reported in the Prospective Planting report for Colorado, it is now likely that two beet processing plants will reopen and contract for a total of 37,000 acres. This would increase total U.S. acreage to 1.22 million acres, 8.8 percent higher than a year earlier, and produce another 75,000 to 85,000 tons of sugar.

Corn sweetener production rose to 7.8 million tons in 1985, 14 percent above 1984. Most of the increase was from greater high fructose corn syrup (HFCS) production, which rose 21 percent to 5.2 million tons, dry basis. HFCS production in January 1986 was 374,000 tons, virtually unchanged from a year earlier and the smallest monthly change from a year earlier since September 1984. Future growth in corn sweetener production will be limited, as HFCS is approaching its feasible limit for sugar substitution. [*David Harvey (202) 786-1769*]

Food and Marketing

1986 FORECAST EXPENDITURES, 1985 MARKETING BILL

Consumer expenditures for domestically produced farm foods are expected to increase 1 to 4 percent in 1986, to about $354 billion. This increase will come primarily from a 1- to 3-percent rise in grocery store prices, a 3- to 5-percent gain in the price of food purchased away from home, and a 1-percent expansion in civilian population. However, expenditures will be dampened by a 1.1-percent drop in per capita food consumption, due largely to reduced livestock disappearance.

The farm value—the proportion of food expenditures returned to the farmer—will decline 1 percent in 1986 to $85.0 billion. Farm value will fall because of lower prices, particularly for wheat, soybeans, and dairy products.

Marketing Bill To Increase

The marketing bill—the cost of all marketing services and inputs required to move food from the farmer to the consumer—will increase 1 to 5 percent in the coming year. The midpoint of this range is $269 billion, the smallest increase (3.0 percent) in 15 years, and near the anticipated rate of inflation. The marketing bill will comprise approximately 76 percent of the total food dollar. This represents a 1-percentage-point increase in the marketing bill's share of the total food dollar, and maintains the upward trend of the 1980's.

The bill's modest increase can be attributed to several factors:

- Labor costs should post only a small increase, and low inflation means small cost-of-living adjustments for food industry workers.
- Large oil supplies will translate into lower prices for natural gas and diesel oil. These savings will be offset by a modest rise in electric rates, but total energy costs will still rise only slightly.
- The cost of packaging materials will likely increase at approximately the same rate as inflation, mainly because of greater steel prices and labor costs. However, there will be little increase in the quantity used because of the slight decline in per capita food consumption.
- Transportation rates are expected to rise very little because increased labor and equipment costs will be offset by decreased energy costs.

Farm Value Declined

The 1-percent increase in per capita consumption last year was insufficient to prevent the farm value of food from slipping. The 1985 farm value dropped 5.4 percent from 1984, to $85.1 billion. The decrease was due to lower prices for such major commodities as beef, pork, and poultry. In 1986, by contrast, it is grain prices that are forecast to bring down the farm value.

Consumer spending for food climbed 3.5 percent in 1985 to $346.3 billion. Rising personal disposable income in the first 6 months encouraged greater spending, particularly in the away-from-home market. Also, consumers increased purchases of more expensive convenience foods such as frozen dinners.

1985 Marketing Bill Increased As a Share of Total Expenditures

The smaller farm value in 1985 implies that larger food expenditures resulted from higher marketing costs. Seventy-five percent of the food dollar last year went for marketing services. The marketing bill itself increased 6.8 percent to $261.2 billion. An examination of each of the major cost components of the bill reveals the sources of the increase:

Labor.—Labor costs jumped 6.5 percent to $118.6 billion in 1985. This was approximately the same rate as the total marketing bill. A quick look at the wage and employment structure of each of the four sectors of the food industry shows why labor costs rose:

- Food manufacturing posted an 8.1-percent gain in total labor costs, mainly due to gains in both average weekly earnings and the number of workers employed.
- Wholesale labor costs increased 9.6 percent, largely because of an increase in the number of employees.
- Despite a decline in weekly earnings, labor costs in food retailing increased 4.9 percent, mainly as a result of a 6.3-percent increase in the number of workers and higher management salaries.
- Employees of eating and drinking places experienced a 1-percent weekly earnings decrease, but labor costs of eating places increased 4.6 percent because of greater employment.

In sum, increased employment in each of the industry's four main sectors was largely responsible for higher labor costs. Despite this, the greatest change in the food industry's employment-wage structure is a decrease in wages, taking place in retailing. Many recent labor contracts contain multilevel wage structures, in which new employees are hired at lower wages and achieve a lower maximum salary than senior employees. The modest inflation rate has reduced cost-of-living adjustments specified in union contracts. Employers also have reduced the rate of increase in benefit packages in the last few years.

Packaging.—Packaging costs rose 3 percent to $27.5 billion in 1985. Packaging was 8 percent of the total food dollar, the same as in previous years. The cost increase was largely due to the greater volume of food moving through the marketing system.

There were also price increases for a number of major packaging materials. Metal cans rose 4.3 percent. Paper products and glass containers posted increases of 2.4 and 5.3 percent, respectively. However, the price of paperboard products fell 2.2 percent, and plastic film fell 6.2. Overall, packaging material prices rose only 0.2 percent.

Energy.—Energy costs posted a modest 4.7-percent increase in 1985, to $13.5 billion. Electric rates, which had an especially strong impact on the away-from-home sector, rose 3.1 percent. Energy costs accounted for 3.8 percent of away-from-home food sales; most of this was electricity used for lighting, air conditioning, and refrigeration. Similarly, the retail industry's dependence on elec-

Components of Consumer Food Spending

	1975		1984		1985	
	Billion dollars (percent)					
Consumer expend.	167.0	(100)	334.6	(100)	346.3	(100)
Farm value	55.6	(33)	90.0	(27)	85.1	(25)
Total market. bill	111.4	(67)	244.6	(73)	261.2	(75)
Labor	48.3	(29)	111.4	(33)	118.6	(34)
Packaging	13.3	(8)	26.7	(8)	27.5	(8)
Transport. 2/ (Rail, truck)	8.4	(5)	16.2	(5)	16.6	(5)
Energy	4.6	(3)	12.9	(4)	13.5	(4)
Corp. profits (before taxes)	7.1	(4)	16.2	(5)	17.3	(5)
Other 3/	29.7	(18)	61.2	(18)	67.7	(19)

1/ Includes supplements to wages and salaries, such as pensions and health insurance premiums. Also includes imputed earnings of proprietors, partners, and family workers not receiving stated remuneration. 2/ Excludes local hauling charges. 3/ Includes business taxes, depreciation, rent, advertising, interest, and other costs.

tric power resulted in an increased energy bill; retail energy costs accounted for 1.5 percent of total sales.

Transportation.—Transportation costs increased only 2.5 percent in 1985, to $11.6 billion. The rise was relatively small because of favorable diesel fuel prices. Furthermore, trucking firms have negotiated union contracts which impose multilevel wage structures similar to those for food retailing. The only major trucking-industry increase was a 1-cent-per-mile levy imposed on trucks weighing more than 55,000 pounds. Railroad freight rates, as measured by the rail freight index, rose less than 1 percent in 1985.

Profits.—Pretax profits rose 6.8 percent to $17.3 billion in 1985, but held steady at 5 percent of total consumer expenditures. Increased profits can be attributed to greater consumer spending, particularly in the away-from-home market. Favorable economic conditions spurred consumers to purchase more marketing services. Increased food manufacturers' profits also reflect lower farm value. However, a change in farm prices is generally not fully reflected in prices at other marketing levels.

Other costs.—A variety of miscellaneous costs, including advertising, rent, depreciation, and bad debts, accounted for the remainder of the marketing bill. These costs increased 10.6 percent in 1985 to $67.7 billion. [*Howard Elitzak (202) 786-1870*]

World Agriculture and Trade

ETHIOPIA'S AGRICULTURE: NOT ENOUGH RECOVERY

Although weather improved in most parts of Ethiopia during the 1985 growing season, recovery in food production was poorer than anticipated. When the rains resumed in Ethiopia in late 1985, grain prices—at peak levels because of famine—began to decline in anticipation of crop recovery. In Addis Ababa, the market price for teff (a traditional food grain) fell 30 percent between October 1985 and March 1986 (see *Agricultural Outlook*, October 1985). But, these expectations of much better times may have been premature.

To keep national food consumption from falling below the 1982-85 average, Ethiopia will require 1.5 million tons of imported cereals in 1986. This is equivalent to one-fourth of domestic cereal output—and nearly equals the amount imported during the food emergency of 1985.

Cereal Production Estimates Lowered

Ethiopia's "mehr" or primary harvest, which begins by October, normally provides the bulk of food supplies for the following year. Recently, estimates of 1985 cereal output have been revised downward to only 5.2 million tons, less than 10 percent above the disastrous output of 1984.

In 1984, rainfall was inadequate in 11 of Ethiopia's 14 administrative regions. During 1985, rainfall ended prematurely or was poorly distributed in 6 of these regions; in a seventh, Hararghe, rainfall was even lower than in the previous year. The more temperate highland regions fared better than the northern arid regions of Ethiopia. Output of sorghum, raised mainly in the north, remained well below normal, and corn output is estimated slightly below the poor 1984 harvest. Production of teff, raised in the highlands, improved. Output of barley and wheat, crops less affected by the 1984 drought, remained essentially unchanged in 1985.

Government Policies Inhibit Recovery

Ethiopian crops have been hurt not only by poor weather, but also by Government interference. The Ethiopian Government intervenes extensively in the domestic cereal market, often harmfully. Farmers and traders are subject to mandatory purchases by the Agricultural Marketing Corporation (AMC), and all private trade is regulated.

Although such targets are rarely achieved, the AMC has announced plans to purchase 345,000 tons of the 1985 harvest from peasant farmers and traders. Since official prices are often lower than market prices, these state interventions usually reduce farmers' incentives to produce grain the next season.

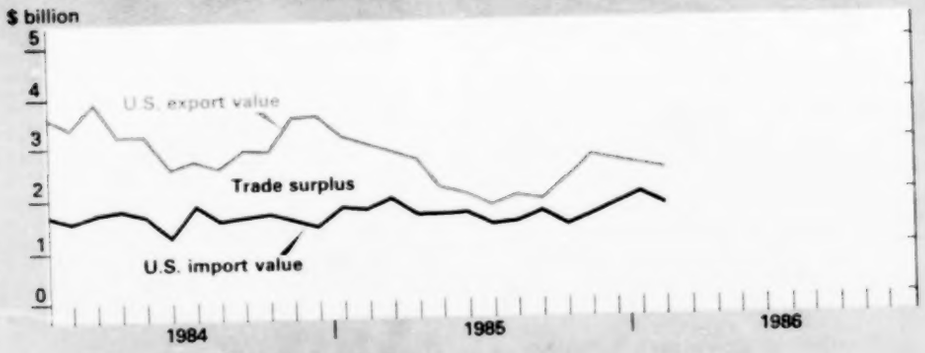
Civil turmoil also continues to diminish food supplies. Fighting limits farming in the Eritrea and Tigre regions.

Ethiopia's resettlement policies are another disruption. The Government intends to resettle 1.5 million people, about 3 percent of the population, from the poorer agricultural areas in the north to virgin agricultural lands in the southwest. This controversial policy has diverted resources from famine relief and uprooted some farmers in the middle of their harvest. The United States has objected to this program on humanitarian grounds.

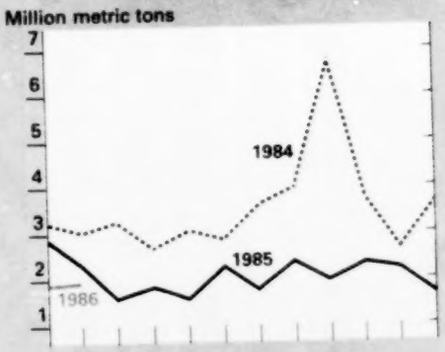
Besides the people being forced to emigrate long distances, a much larger pro-

U.S. Agricultural Trade Indicators

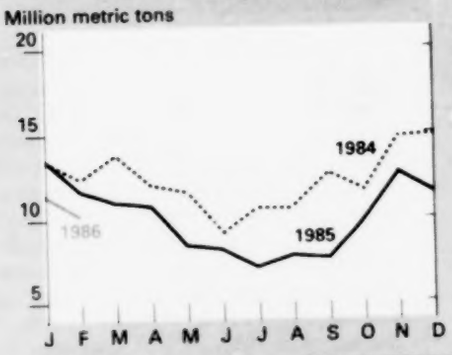
U.S. agricultural trade balance



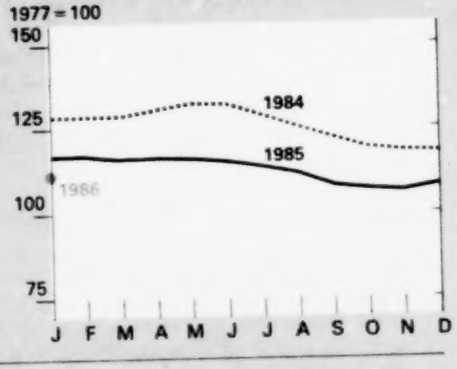
U.S. wheat exports



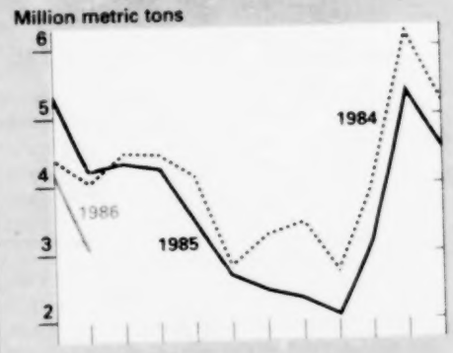
Export volume



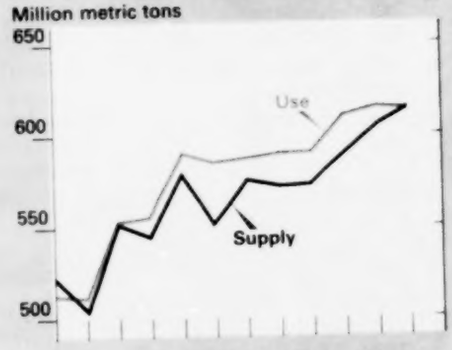
Export prices



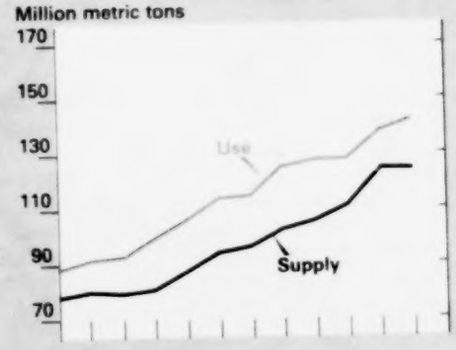
U.S. corn exports



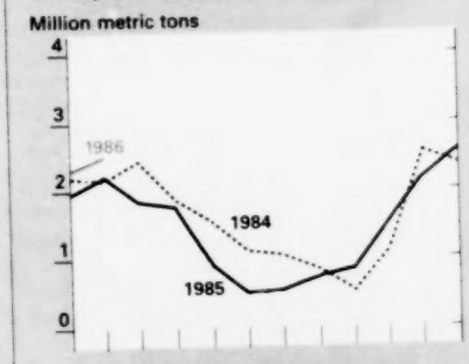
Foreign supply & use of coarse grains



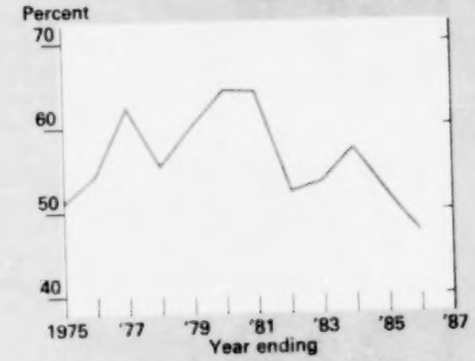
Foreign supply & use of oilseeds



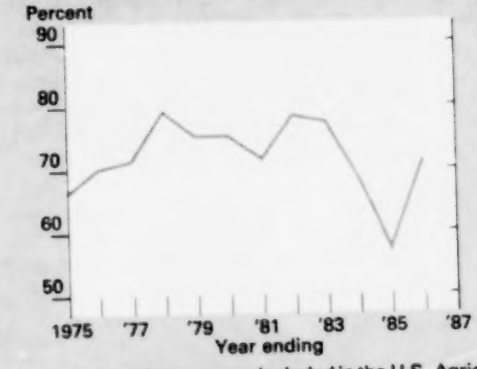
U.S. soybean exports



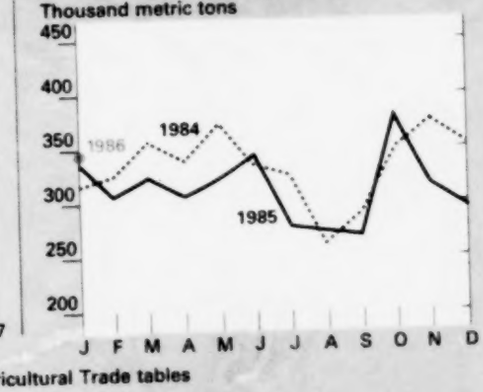
U.S. share of world coarse grain exports



U.S. share of world oilseed exports

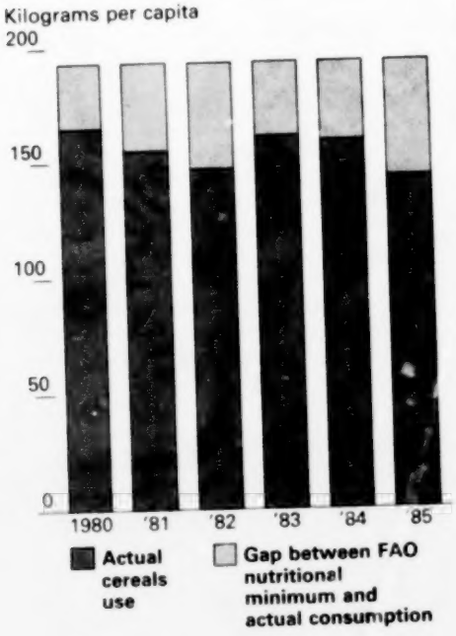


U.S. fruit & vegetable exports

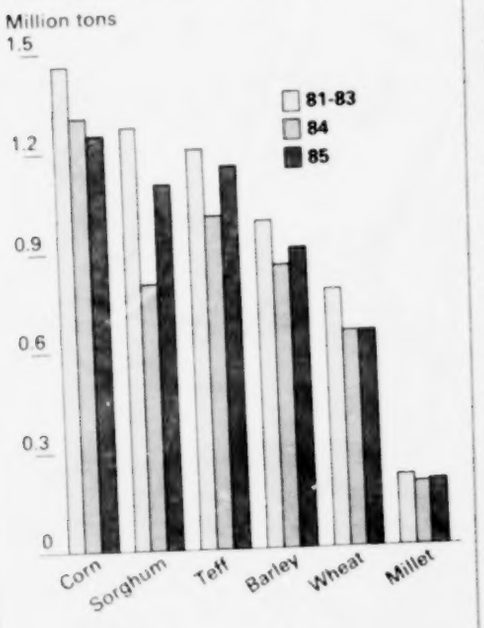


Wheat, corn, soybean, and cotton exchange rates and export unit values are now included in the U.S. Agricultural Trade tables at the back of this issue.

Ethiopia's Nutrition Gap Continues



Ethiopia's Grain Production Still Down From Early Eighties



portion of Ethiopia's rural population is being regrouped into villages. In many cases, farmers are being moved to villages as far as 10 miles from their farms. This program allows the central Government to provide services to the rural population. Because of the large scale of this program, it also has disrupted agriculture.

In addition to weather and Government policies, several other factors hurt 1985 food output:

- Peasant farmers were physically weakened by the food shortages of the previous year and the search for food often carried them far from their farms.
- Oxen losses during the famine slowed land preparation, reducing farm output.
- Although seed shortages were not as severe as feared, delays in obtaining seed and poor quality (due to drought stress) reduced yields.
- Localized pest infestations also cut yields.

Foreign Exchange Pressures Ease

The *World Food Needs and Availabilities* report estimates Ethiopia's cereal production shortfall this year at 1.5 million tons. Based on past behavior, Ethiopia could be expected to import 165,000 tons of cereals commercially in 1986, leaving a 1.3-million-ton deficit.

However, two recent developments have favored Ethiopia's financial position. First, world coffee prices have climbed, and coffee is Ethiopia's most important export. Transportation problems reduced 1985 coffee exports to 69,000 tons, but in 1986 exports are expected to reach 100,000 tons. Second, Ethiopia has benefited from a one-time windfall in foreign exchange earnings, a result of local expenditures by international donors and relief workers.

Because of these two factors, commercial grain imports could reach 300,000 to 400,000 tons in 1986. This improvement in Ethiopia's current account balance is temporary, however. Foreign assistance will decline from its 1985 peak and merchandise imports, reduced during the famine, will return to normal.

Ethiopia's remaining food shortfall will be partially offset by food aid stocks of 300,000 tons provided during 1985, and prospects are favorable for the March-April 1986 "belg" season harvest. Normally, the belg or secondary harvest provides a small addition to food supplies in parts of Ethiopia. The rains during this period are also important for rejuvenating rangelands and providing soil moisture for easier land preparation prior to planting the main season crops. The belg rains failed in both 1984 and 1985. The 1986 belg rains have been timely and sufficient, suggesting a 200,000-ton or greater contribution to food supplies.

At Least 900,000 More Tons Of Food Imports Needed

Assuming ending stocks equal to the belg harvest and commercial imports at historical levels, Ethiopia will require 1 million tons of additional imports or food assistance to allow for per capita consumption at the 1982-85 average.

The United States is pledged to provide over 300,000 tons in food aid. New pledges from all donors exceed 600,000 tons. As of April 1, one-third of pledged food aid had been delivered, and stocks in the three ports serving Ethiopia totaled 175,000 tons. Internal transportation to target populations in the lean months prior to the November 1986 harvest could become a problem, and this situation is being monitored by the donor community.

The foregoing discussion has focused on food supplies and their relationship to historic levels of consumption. These levels of food consumption are actually nutritionally inadequate: Ethiopia's nutritional status has been extremely poor.

The accompanying chart shows how far Ethiopia's food consumption has fallen below minimum levels recommended by the United Nations. In order for Ethiopians to get two-thirds of their total calorie requirements from cereals in 1986, 3.2 million tons of imported cereals would be needed. [*Stephen Haykin (202) 786-1680*]

Inputs

EFFECTS OF THE OIL PRICE DROP

The recent drop in oil prices will contribute directly to lower energy costs for producing and marketing U.S. farm products. Farmers could save $1 to $2 billion this year in input costs, and producers of high-energy-use crops, such as rice, may save up to $10 an acre.

The average price of a barrel of crude oil was $27 in 1985. Since November 1985, the spot market price has fallen about 50 percent, going as low as $10 on some days. Consumer and producer prices for gasoline and diesel fuel have also fallen, but not by as much as crude oil prices, because dealers' margins have increased. Between November 1985 and February 1986, the Consumer Price Index for motor fuel dropped 7 percent, the producer price index for gasoline 16 percent, and the producer price index for #2 diesel fuel almost 20.

Oil Products May Average 20-30 Percent Lower Than Last Year

For 1986 as a whole, prices of refined petroleum products may average 20 to 30 percent below 1985, leaving gasoline and diesel prices at their lowest level since 1979.

Total production expenses in agriculture for 1985 were an estimated $133 to $135 billion. Of that, about $7 billion, or 5 percent, went for fuels and oils. Consequently, if farmers buy the same amount of fuel and oil in 1986, each 1-percentage-point drop in prices paid for these products will reduce farm expenses approximately $70 million.

World Oil Prices

	Real 1985$	Nominal $
1979	30.70	21.67
1980	43.98	33.89
1981	43.85	37.05
1982	37.45	33.55
1983	31.50	29.30
1984	29.93	28.88
1985p	27.00	27.00

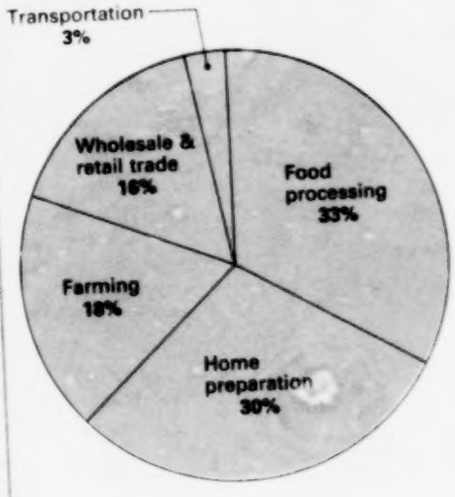
Source: U.S. Department of Energy.

If fuel prices in 1986 do average 20 to 30 percent below 1985, the direct cut in fuel costs could equal from $1 to $2 billion—or about 1- to 1.5-percent of total farm production expenses for the year. Net cash income in 1986, estimated at $37 to $41 billion, could be 3-4 percent higher than otherwise because of cheaper oil.

Savings on Chemicals in '87

In addition, the indirect effects of lower crude oil prices on fertilizer, pesticides, and electricity costs will probably reduce farm production expenses further. However, farmers have already purchased many of the chemicals to be used on 1986 crops, and the link between crude oil prices and electricity rates is indirect. Therefore, farmers probably will not realize the benefits from reduced chemical prices until they buy chemical supplies for 1987 crops.

Of All Energy Used in Agriculture, Farming Itself Takes Only One-Fifth



Fuel consumption on an individual farm varies according to the tillage system employed and the crop being produced. With diesel fuel prices falling 15 to 20 cents a gallon in 1986, a farmer using about 8 gallons per acre with a conventional tillage system can expect to save about $1.15 to $1.55 an acre from last year. A farmer using a no-till system will see fuel costs per acre fall by only about half that much, since less fuel is used to begin with.

Among crops, cotton and rice require the most fuel per acre because of the large number of chemical applications made each season. A rice producer may see 1986 fuel costs decline about $10 per acre. Wheat and soybeans require less intensive cultural practices, and growers of those commodities may save about $2 an acre.

Lower Oil Prices Will Also Have Indirect Effects

Lower oil prices will have other indirect effects on U.S. agriculture. Falling oil prices will cause a reduction in oil exploration and production, decrease development of alternative energy sources, and increase consumer purchases of energy-consuming products. Lower prices also encourage oil-producing countries that are not in OPEC to cooperate to reduce production and raise prices. All of these factors increase the risk of future oil price shocks like those of the 1970's.

In the short run, uncertainty over whether oil prices will stay low will make planning more difficult for farmers and other businesses. More importantly, cheaper oil will reduce oil-exporting countries' ability to pay for

Estimated Fuel Requirements for Four Tillage Systems

Operation or input	Conventional tillage	Tillage system: Chisel plow	Disk	No-till
	Gallons of diesel fuel/acre			
Moldboard plow	1.84	NA	NA	NA
Chisel plow	NA	1.12	NA	NA
Disk	.63	.63	0.63	NA
Apply herbicides & disk 2nd time	.73	.73	.73	NA
Spray herbicides	NA	NA	NA	0.13
Plant	.43	.43	.43	.50
Cultivate (once)	.42	.42	.42	NA
Herbicides	1.75	2.01	2.25	2.88
Machinery & repair	1.86	1.61	1.25	.60
Total	7.66	6.95	1.25	4.11

NA = Not applicable. Source: USDA 1980 Yearbook of Agriculture.

commercial imports from the United States. For example, Mexico's 1986 earnings are expected to drop $5 to $7 billion from 1985 because of falling oil prices, assuming the same level of oil exports in 1986 as in 1985. Also, U.S. banks holding large energy loans may experience an increase in troubled loans.

On the other hand, oil importing countries, including the United States, will spend less for energy and may, in turn, increase their demand for other goods and services, including U.S. agricultural products. Some countries will limit the amount of oil price savings they pass on to consumers, but on balance demand for agricultural products will likely increase due to lower world oil prices. [*Herb Moses (202) 786-3333*]

Average Total Spending on Fuel and Oil in 1984

Crop	Dollars per planted acre
Corn	16
Wheat	10
Rice	44
Soybeans	10
Cotton	31
Peanuts	28

Upcoming Crop Reporting Board Releases

The following list gives the release dates of the major Crop Reporting Board reports that will be issued by the time the June *Agricultural Outlook* comes off press.

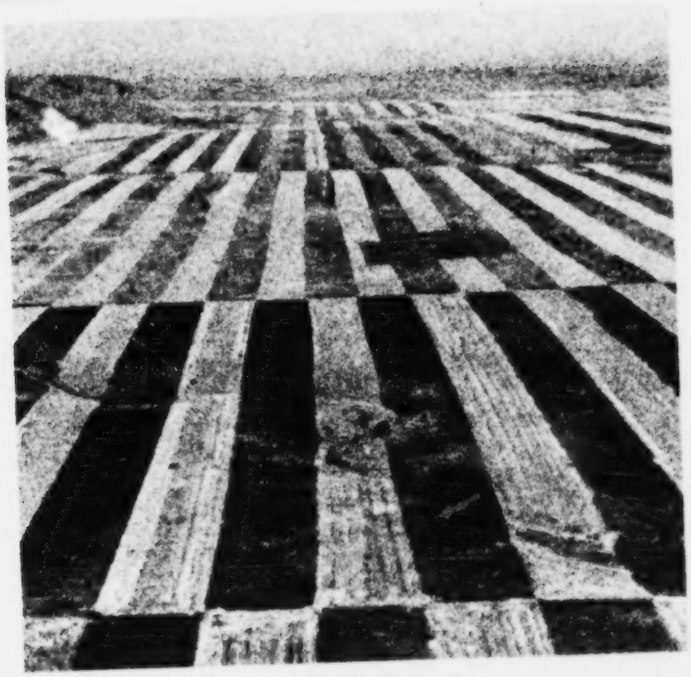
May

1	Poultry Slaughter
5	Dairy Products
	Dairy Products—Annual
6	Celery
8	Vegetables
9	Crop Production
12	Milk - Prod., Disp., & Income
13	Turkey Hatchery
14	Milk Production
15	Cattle on Feed
	Potato Stocks
16	Sugar Market Statistics
20	Catfish
	Farm Labor
22	Eggs, Chickens, & Turkey
23	Livestock Slaughter
	Cold Storage
28	Peanut Stocks & Processing
30	Egg Products
	Agricultural Prices

Upcoming Economic Reports

Title	Summary Released
Livestock & Poultry	May 5
World Ag Supply & Demand	May 9
USSR	May 12
Rice	May 14
Western Europe	May 15
Agricultural Outlook	May 16
Wheat	May 19
Exports	May 21
Eastern Europe	May 28

Summaries are released electronically on the dates indicated; the full reports, including tables, may also be accessed 2 to 3 days later. For details, call (301) 982-6662.



The Farm Credit System: Troubled Past, Uncertain Future

Over the last year, the Farm Credit System (FCS) has received considerable attention from farmers, the financial community, and the U.S. Government. Much has been written about the possibility of large financial losses by the system and the potential need for Government assistance. During 1985, the FCS posted a loss of about $2.7 billion, its loan base contracted from $78.5 billion to $66.6 billion, and its provisions for loan losses increased from $.335 billion to nearly $3.0 billion.

These figures reflect the recognition of losses that had accumulated within the system and the continued deterioration of the financial condition of FCS borrowers. The figures raise several questions. How does the Farm Credit System work? How did it get in trouble? Have recent arrangements to strengthen it solved the problem?

What Makes Up the System?

The Farm Credit System is a group of financial cooperatives which provide credit to farmers, fishermen, and certain businesses (primarily cooperatives also) that supply inputs to agriculture or market farm products. The FCS is the single largest source of credit for agriculture and holds roughly one-third of the sector's outstanding debt.

The FCS consists of 37 banks divided into 12 geographic districts. Within each district are three banks:

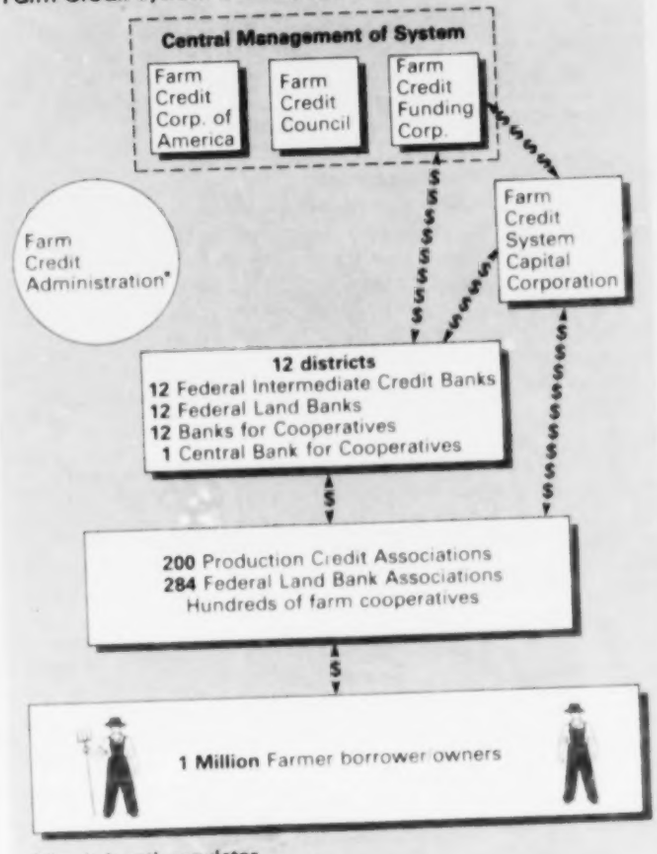
- a Federal Land Bank (FLB), which makes long-term loans through local Federal Land Bank Associations (FLBA's), primarily for real estate purchases;
- a Federal Intermediate Credit Bank (FICB), which makes loans through local Production Credit Associations (PCA's), primarily for operating inputs and machinery purchases; and
- a Bank for Cooperatives (BC), which makes loans to input supply, marketing, and processing cooperatives.

In addition, there is one Central Bank for Cooperatives. This institution participates in large cooperatives loans that exceed the capacity of a regional BC.

The 37 banks are owned by the associations located within their particular region. Thus, each FLB is owned by the Federal Land Bank Associations within its market area. Each borrower who receives money from the FLB has to become a member of the local FLBA by purchasing stock equal to 5 to 10 percent of the amount borrowed. The FLBA in turn purchases an equivalent amount of stock in its FLB.

Similarly, the FICB's are owned by the Production Credit Associations in their area, and each borrower from a PCA is required to purchase stock in that PCA equal to 5 to 10 percent of the amount borrowed. Each PCA is set up to provide farmers with loans having a maturity of less than 7 years.

Farm Credit System Is Complex


Central Management of System
Farm Credit Corp. of America
Farm Credit Council
Farm Credit Funding Corp.
Farm Credit Administration*
Farm Credit System Capital Corporation
12 districts
12 Federal Intermediate Credit Banks
12 Federal Land Banks
12 Banks for Cooperatives
1 Central Bank for Cooperatives
200 Production Credit Associations
284 Federal Land Bank Associations
Hundreds of farm cooperatives
1 Million Farmer borrower owners

*Arm's length regulator.

The Banks for Cooperatives are owned by current and former borrowing cooperatives. Each cooperative purchases stock from its BC, or the Central Bank for Cooperatives, in an amount proportional to the interest paid on its loans.

In addition to the 37 banks and their related associations, there are a number of other institutions that are part of the Farm Credit System but are not direct lending agencies. The Farm Credit Corporation of America (FCCA) implements management, accounting, and lending procedures for the entire system. The Farm Credit Funding Corporation (FCFC) markets bonds for the 37 banks, providing the bulk of the money to fund the system's loans. The Farm Credit Council (FCC) provides public and Congressional liaison for the system.

Perhaps the most important of the additional institutions is the Farm Credit System Capital Corporation (FCSCC). It provides assistance to banks in financial difficulty and markets property acquired by the FLB's, PCA's, and BC's because of nonperforming loans.

Finally, the Farm Credit Administration (FCA) is an agency of the executive branch of the Federal Government and is responsible for regulating the behavior of the FCS. Prior to the amendments to the Farm Credit Act of 1985, the FCA was governed by a 13-person board appointed by the President. Twelve of the board's members were directors of FCS banks, one from each district, while the thirteenth was appointed by the Secretary of Agriculture. Thus, up to the end of 1985, the Farm Credit Administration was not quite at arm's length from the system it was intended to regulate.

How Does the System Function?

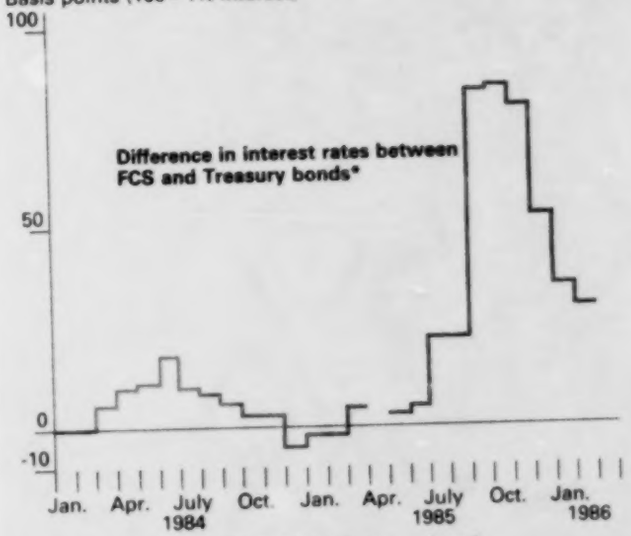
The FCS, like all financial institutions, relies on the interest rate spread between the money it borrows and the money it lends to cover its operating costs and generate profits. As with all financial institutions, its ratio of equity or capital to assets is low. Thus, borrowed funds are the primary means by which the FCS makes loans. But, the FCS differs from most other financial intermediaries in three distinct ways, which explain much of its past behavior and why it now finds itself in difficulty.

First, the FCS is a cooperative, meaning that its owners are also its borrowers. Since the borrowers ultimately receive any profits from the operation of the system, the system has traditionally tried to charge the lowest rate possible on loans. As a result, the FCS was able to expand more rapidly than its competitors through the 1970's.

Secondly, the FCS does not have authority to diversify its loan portfolio through lending beyond agriculture. It also has a strong legislative mandate to provide loans to agricultural borrowers. Thus, the financial health of the FCS depends entirely on the health of the agricultural sector.

Thirdly, the maturities of FCS loans to borrowers and the maturities of its notes and bonds have little correspondence to each other. For example, FLB's issue mortgages with terms usually over 20 years. In contrast, bonds sold by the FCS (for the FLB's) to raise money have typical maturities of only 3 to 7 years.

Risk Premium on FCS Notes Rose as Investor Confidence Slipped Last Summer



*New issues of 6-month FCS and Treasury bonds. No 6-month FCS bonds were issued in April 1985.

Interest Risk

Because of the difference in FCS lending and borrowing maturities, the system is exposed to a significant amount of interest rate risk. The rates it must pay to borrow can easily rise far above the rates it is charging, as the system reissues its bonds the five or six times necessary over the life of a single 20-year mortgage. While adjustable rates on some FCS loans allow it to eventually pass cost increases on to borrowers, there are lags in the process. In addition, a significant number of low-interest fixed-rate mortgages remain in the system's portfolio, and these cannot be adjusted.

Although the FCS generates the bulk of its funds by issuing system-wide bonds, it has other sources of funds. These include earned net worth—that is, the cumulative earnings retained by the system—and the capital stock of the system.

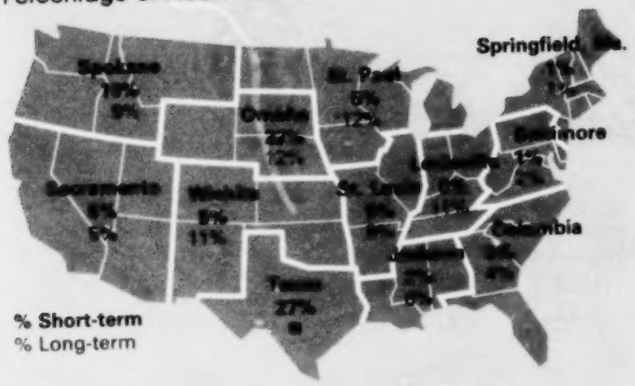
At the end of 1985, the system's total debt was $71.5 billion, while its total capital was $8.4 billion. The capital of the system represents the owners' investment in the FCS. It also provides the last line of protection against loss for those who purchase FCS bonds and hence lend to the system. Charges for nonperforming loans to farmers or other borrowers are first made against income and then against the system's capital. The FCS loss of about $2.7 billion in 1985 on its income statement matches a charge of roughly $2.8 billion against its earned net worth from problem loans.

How Did the FCS Get into Trouble?

Prior to 1985, the FCS was viewed as one of the safest and most stable segments of the financial community. FCS bonds and notes were often priced to yield returns roughly the same as Treasury bills and notes—at rates reflecting the expectation of no risk to the lender.

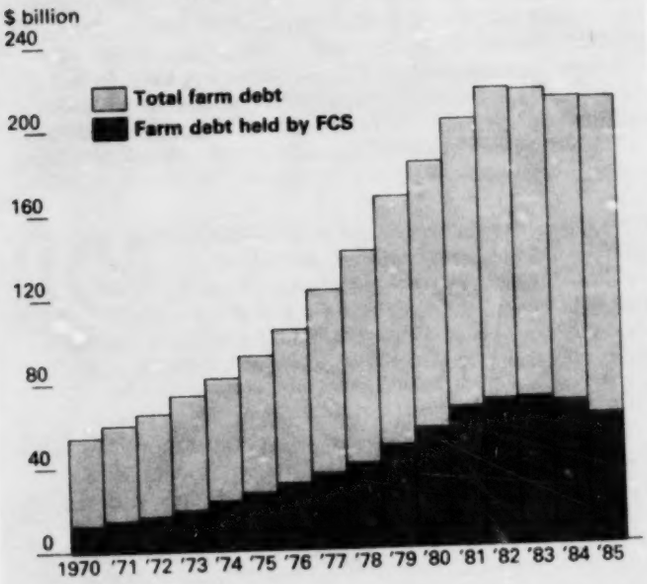
But, in the summer of 1985, this situation changed significantly. The rates of FCS bonds rose markedly from Treasury bond rates, reflecting increased concern in the financial com-

Many FCS Districts Show Significant Percentage of Problem Loans*



*Unsecured loans past due 90 days or more, and high-risk restructured loans. Short-term loans are made by Production Credit Associations and long-term by Federal Land Banks.
▪Negligible amount.

Farm Debt & FCS Share of It Rose Steeply in 1970's



1985 preliminary.

munity over the safety of FCS bonds. The immediate cause was financial foundering in two FCS districts, Spokane and Omaha.

Although the FCS's deterioration has been apparent for only a short time, the current situation had its origins in the previous decade. During the 1970's, farm income expectations, agricultural exports, and farm land values all rose rapidly. With the onset of high inflation, borrowers profited from the depreciating real value of their debt, which encouraged additional borrowing from the FCS and other lenders.

Consequently, during 1971-1981, the agricultural sector's debt increased from $55.3 billion to $189.0 billion. Moreover, the FCS increased its share of lending to the sector from 24 percent of total agricultural loans made in 1971 to 33 percent in 1981.

The increases can be explained in a number of ways. The FCS has a mandate to provide funds to farmers at as low a cost as possible where such loans appear to be viable. The general consensus in the 1970's was that prosperity in agriculture was a permanent phenomenon. Virtually all loans to farmers were believed to be safe, primarily because the value of farm assets (mainly land) securing the loans was increasing.

As a result, most loan applications met FCS's criteria and were granted, often at amounts close to the statutory maximum of 85 percent of the market value of the acquired assets. Prior to 1971, the maximum amount lent was 65 percent of the value of the acquired assets. Also after 1971, individual PCA's and FLBA's possessed greater autonomy in processing loan applications. This autonomy contributed to lending practices that, in hindsight, were very liberal.

Problematic Loan Pricing

Another part of the FCS's problem was the way it priced its loans. The system did not charge borrowers rates that corresponded to the costs it had to pay at the time the loan was made. Instead, loans were priced according to the average rate paid on the FCS's total portfolio of bonds and notes outstanding. The average-cost-of-funds approach was adopted by the system to keep rates paid by all members similar, but it was not used by most other lenders. Thus, during this period of generally rising interest rates, the average-cost-of-funds approach resulted in the system's charging lower rates for loans than other lenders, while having to pay higher and higher rates to obtain funds to lend.

The first visible indications of trouble for the FCS arose in the Spokane district in 1984—several PCA's which had made large loans to fishermen failed. The collapse of fish prices and the emergence of overcapacity in the fishing fleet left the PCA's with large bad debts which were secured only by boats worth much less than the debt owed. The losses were far greater than the institutions' reserves. In June 1985, the FCS banks set up a long-term plan to assist the Spokane FICB by purchasing roughly $140 million of its high-risk loans.

Since FCS bonds are the joint responsibility of all 37 banks in the system, the failure of any bank to meet its obligations leaves the others liable. If any of the 37 banks defaulted, the ability of the FCS to maintain access to the capital markets would be greatly impaired—that is, investors would likely quit buying FCS bonds or demand a much higher return on them. Since the FCS refinances roughly $100 billion per year, any difficulty in selling its bonds or notes, even in the short term, would gravely affect its ability to operate.[1]

During mid-1984 to mid-1985, it became obvious that the Omaha FICB was also in difficulty, although its problems related directly to the farm economy in the States it serves. In October 1985, the Omaha FICB received a $75 million payment from the rest of the banks of the system, and an agreement was made that the system would purchase approximately $240 million of nonperforming loans from the Omaha district.

[1]The FCS uses notes with maturities of less than 1 year to finance part of its operation, so the value of bonds and notes issued each year is in excess of the value of total loans outstanding at any given time.

What's Ahead for the System?

Several factors suggest that the difficulties of the FCS are not yet over. Most important is the magnitude of the decline in agricultural asset values. In some areas, land and used machinery prices have declined over 50 percent from their 1981 peak. This, combined with limited prospects for stronger farm income, has left some farmers with insufficient income to service their debt and with assets currently worth less than the debt they owe.

USDA estimated that on January 1, 1985, 38,000 farms had negative cash balances and were technically insolvent, having a debt-asset ratio greater than 1.0. A further 55,000 farms were estimated to be in severe financial stress at that time, having a negative cash balance and a debt-asset ratio between 0.7 and 1.0. Many of these farmers may default on their FCS debts.

The FCS reserve requirements imposed by the Farm Credit Act of 1971 are designed to buffer local or regional losses to the system. The reserves are not designed to cope with major national declines such as those in the 1980's. In cases of default, the reserves of the FCS have to be used to cover any difference between the value of the assets recovered and the amount of debt outstanding.

The Difficulties of Decentralization

In addition, the FCS's lending practices and accounting standards made it virtually impossible to anticipate the number of problem loans, or to develop a process for sorting those that were salvageable from those that were beyond hope. The decentralized nature of the FCS and the often parochial interests of many of the individual banks and associations also complicated the effort to mobilize the system's resources to deal with problems. Only the threat of default on bond obligations appears to have forced some of the regions to provide assistance to troubled banks and associations.

The financial community's reaction to these problems was swift and predictable. Demand for FCS bonds and notes eroded. The difference between FCS bond and note rates and Treasury bill rates widened in September and October 1985 by over 1 percent, an unprecedented risk premium. In addition, investors were not interested in buying long-term FCS bonds, compelling the system to rely on short-term notes and less-than-3-year bonds to maintain its liquidity.

Pressures for a complete audit by a public accounting company led to the hiring of the firm Price-Waterhouse to inspect the FCS's books and assess its problems. Accounting practices were modified and the FCCA was incorporated to develop a uniform set of procedures for the system. Further, the FCS asked the Federal Government for financial assistance in September 1985 when it was estimated that nonperforming loans might total over $10 billion for 1985-1986.

Amendments to the Farm Credit Act of 1985

The problems confronting the Farm Credit System by the third quarter of 1985 led to a major overhaul of the system's regulatory structure and business methods.

The Amendments to the Farm Credit Act of 1985 serve three main purposes. The first amendment changes the organizational structure of the overseeing body, the Farm Credit Administration, by replacing the 13-person Federal Farm Credit Board with a 3-person presidentially-appointed Board of Directors. This provision establishes the FCA as an arm's-length regulator of the FCS. In addition, the FCA is given enhanced regulatory powers, and FCS institutions are required to report their financial status to the FCA on a uniform basis and to follow consistent lending practices.

FCS Income and Balance Sheet, 1982-1985

	1982	1983	1984	1985
		$ billion		
PROJECTED INCOME STATEMENTS 1/				
Net interest earned	1.7	1.4	1.5	1.3
Provision for loan losses	.2	.2	.3	3.0
Other expenses	.4	.6	.7	1.0
Net income (loss)	1.2	.5	.4	(2.7)
PROJECTED BALANCE SHEETS 1/				
Assets				
Loans	81.4	81.9	79.8	69.8
Cash and securities	3.3	2.7	3.6	8.3
Other 2/	5.6	5.1	5.0	6.3
Liabilities and capital				
System debt	73.0	72.8	72.2	68.9
Total capital	11.4	11.8	11.8	8.4
Total risk funds 3/	12.9	13.2	13.2	11.6
Nonaccrual 4/	5.3	1.8	.9	.5

1/ Consolidated for 37 banks plus associations. 2/ Includes allowance for loan losses and accrued interest receivable. 3/ Total capital plus allowance for loan losses. 4/ Subset of loan assets. Loans not accruing interest.

Secondly, the Farm Credit System Capital Corporation was rechartered as essentially a 38th bank having the ability to issue bonds and notes, assume loans, and carry out most of the functions of the other banks. Moreover, the other banks are required to contribute funds to the FCSCC's initial capital base and the FCSCC has the power to levy additional amounts as required. The FCSCC is the primary agent for assisting system banks in financial difficulty. It does so by purchasing nonperforming loans from the troubled bank and liquidating them. The capital corporation can for the most part establish the terms under which it will assist member banks, although it too is subject to FCA regulation.

The third main feature of the amendments empowers the Secretary of the Treasury to purchase bonds issued by the FCSCC up to an amount provided for by Congressional appropriations. This establishes a lender of last resort to ensure that the FCS will not have to default on its outstanding bonds and notes.

The Current Situation

The financial problems within the FCS have come primarily from the FICB's and from the need to make an accounting, according to accepted accounting principles, of losses that have been building in the system. In the recent reforms, adequate provisions for loan losses were established, loans were reclassified to more accurately reflect the likelihood of repayment, and standardized accounting practices were implemented.

The FCS is also trying to control costs and smooth operating procedures by placing all three banks in each district under a unified management structure and by consolidating FLBA's and PCA's. The number of FLBA's has been reduced from 492 in 1980 to 284 in March 1986, while the number of PCA's has declined from 424 to 200.

Greater Investor Confidence

Investor confidence in the FCS has apparently been restored; the spread between FCS and Treasury bond rates has narrowed to roughly 0.2 percent. In addition, the general decline in interest rates is cutting the cost of funds for the FCS. Further, the reduced demand for farm loans is now allowing the system to issue fewer bonds than it retires, making it easier for the FCS to sell its bonds.

In the near term, the principal danger to the FCS comes from potential losses of the land banks, which comprise roughly two-thirds of the system's assets. To date only the Omaha Land Bank has required an infusion of capital, about $177 million. But, the proportions of nonperforming loans in the Spokane and Omaha districts do not appear to be markedly different from those in five or six other regions. Analysis of district lending practices suggests that areas where most loans were made in the late 1970's and early 1980's have the greatest share of nonperforming loans.

If farm incomes erode or asset values decline further, the amount of bad debt held by the system will increase. This will require increased provisions for loan losses, additional loan chargeoffs, and a further reduction of the system's net worth. Thus, several other banks could need help from the FCSCC soon. While the FCS ended 1985 with $3.4 billion of surplus capital, this could be depleted rapidly if additional assistance has to be provided to other banks, if the funds are used to offset loan losses, or if there is a significant reduction in the number of FCS borrowers.

Further depletion of the system's surplus could induce additional borrowing costs for the FCS if investors believe that the risk of holding FCS bonds has increased. As the FCS surplus is depleted, the protection that bond holders have from potential loss through default is decreased. This could result in an increased risk premium being charged, leading to another widening of the spread between Treasury rates and FCS rates. The spread in 1985 increased to roughly 125 basis points (1.25 percent) when the FCS had over $6 billion in earned net worth and surplus. While the reserves of the FCS are lower now, investors are reassured by the Secretary of the Treasury's authority to invest in the system if necessary.

Fewer High-Quality Borrowers

Another potential problem for the FCS is a reduction in the number of high-quality borrowers in the system. Farmers with low debts and good income presently get cheaper financing from commercial lenders than from the FCS. This leaves the FCS with a loan portfolio that is riskier and more costly to service.

Many of these individuals are also considering the possibility that the capital stock they have in their local FLBA or PCA could be frozen or lost if the earned net worth of the FCS were reduced. This combination of higher lending costs and the possibility of impaired or frozen capital stock is leading some FCS borrowers to repay their loans ahead of schedule and obtain refinancing elsewhere.

For the system, this loss of quality borrowers results in a smaller base with proportionately less capital. If the loans that are lost are ones with the lowest probability of default, the system as a result has a proportionately weaker portfolio, which could in turn reduce lender confidence further—leading to a repetition of the cycle. Thus, just as the FCS gained market share through the 1970's because of its relatively low lending costs, so it could lose market share in the 1980's as a result of its relatively high lending costs.

Does It Matter If the FCS Loses Money?

Yes. FCS losses could have a number of harmful effects for farmers. First, the losses could lead to still higher rates on FCS loans. In addition, there is the possibility that the FCS will not be able to raise sufficient funds in the money market despite the Federal backing created in the 1985 amendments. Federal backing comes into place only if the FCS has taken internal measures to absorb losses, the system certifies the need for backing, Congress appropriates the funds, and the Secretary of the Treasury authorizes their use—a complex and time-consuming set of conditions. Under the worst-case scenario, failure to implement Treasury support in a timely manner could lead to a major credit curtailment to FCS borrowers, loss of FCS borrowers' investment in their local association, and higher Federal expenditures.

Farm Land Surfeit

These are all fairly straightforward implications. There are also some less obvious costs of FCS losses. When the FCS acquires assets through foreclosure on a loan, it needs to sell the assets quickly to maintain cash flow. This liquidation process can further depress property values in local areas, triggering another round of foreclosures. As the liquidity of the FCS worsens because of losses, the pressure rises to rapidly liquidate assets to keep the system operating.

In the near future, the FCSCC will have to begin disposing of a large proportion of its $928 million of acquired property if it is to maintain sufficient liquidity to assist other banks. System surplus at yearend 1985 was $3.4 billion, roughly three times the level of acquired property, with considerable potential for more acquisitions in the near future. As recently as 1984, system surplus capital was 12 times acquired property.

Ultimately the FCS as a private cooperative institution must be able to cover its costs of operation and meet its debt obligations or it will be driven out of business. Already the impact of one year's losses have required a major restructuring of regulatory authority.

The FCS was founded to facilitate self-help for farmers. If it is forced by losses to take on the operating characteristics of either a private profit-oriented financial institution or a Government agency, a significant change will have occurred in the agricultural credit market. The primary objective of the FCS is to provide a stable flow of reasonably priced credit to U.S. agriculture. The cooperative nature of the system has been an advantage in doing this.

The FCS has become the primary source of long-term real estate financing for farmers and is the principal competition to commercial banks in the short- and intermediate-term credit markets. Thus, since the FCS serves an important role as a competitor and as a major source of funds to agriculture, all farms have a vested interest in its health.
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Statistical Indicators

Summary Data

Table 1.—Key statistical indicators of the food and fiber sector

	1985					1986			
	I	II	III	IV F	Annual F	I F	II F	III F	Annual F
Prices received by farmers (1977=100)	135	130	123	126	129	122	125	125	124
Livestock & products	143	135	129	136	136	133	138	139	138
Crops	125	125	117	115	121	112	112	110	110
Prices paid by farmers (1977=100)									
Prod. items	154	152	149	149	151	149	146	144	146
Commodities & services, int., taxes, & wages	163	164	162	162	163	163	161	161	161
Cash receipts ($ bil.) 1/	140	134	134	157-159	140-142	134-138	124-128	128-132	130-134
Livestock ($ bil.)	72	67	68	72-74	69-71	68-72	66-70	69-73	68-72
Crops ($ bil.)	68	67	66	84-86	70-72	63-67	56-60	57-61	60-64
Market basket (1967=100)									
Retail cost	284	282	282	283	283	284	285	287	285-289
Farm value	250	237	229	236	238	230	233	240	235-239
Spread	304	309	313	310	309	317	316	316	314-318
Farm value/retail cost (%)	33	31	30	31	31	31	31	31	31
Retail prices (1967=100)									
Food	309	310	310	311	310	314	316	319	316-322
At home	298	297	296	297	297	300	301	304	300-306
Away-from home	341	346	349	351	347	353	358	360	357-364
Agricultural exports ($ bil.) 2/	8.9	6.8	5.7	7.8	31.2	7.2	6.0	7.0	28.0
Agricultural imports ($ bil.) 2/	5.5	5.0	4.6	4.9	19.7	5.5	5.0	5.6	21.0
Production:									
Red meats (mil. lb.)	9,521	9,861	9,929	9,809	39,120	9,535	9,673	9,495	38,050
Poultry (mil. lb.)	3,857	4,268	4,452	4,292	16,870	4,055	4,485	4,690	17,810
Eggs (mil. doz.)	1,430	1,408	1,408	1,441	5,687	1,415	1,410	1,420	5,700
Milk (bil. lb.)	33.7	37.5	36.8	35.6	143.7	36.2	38.3	35.4	143.9
Consumption, per capita:									
Red meats and poultry (lbs)	51.0	53.4	54.5	55.1	214.0	51.7	53.3	52.9	211.5
Feed grain beginning stocks (mil. tons) 3/	182.1	125.6	89.2	63.6	44.2	242.3	--	--	--
Feed grain use (mil. metric tons) 3/	58.7	34.6	46.2	74.9	218.7	--	--	--	--
Prices: 4/									
Choice steers--Omaha ($/cwt)	62.24	57.66	52.17	61.42	58.37	57.25	55-61	60-66	58-63
Barrows and gilts--7 mkts. ($/cwt)	47.32	43.09	43.62	45.05	44.77	43.30	39-43	42-48	41-46
Broilers--12-city (cts./lb.)	51.5	50.7	50.9	50.?	50.8	50.3	46-50	46-52	47-51
Eggs--NY Gr. A large (cts./doz.)	[illegible] 7	60.0	68.3	7[illegible]	66.5	74.2	63-67	65-71	67-71
Milk--all at plant ($/cwt.)	13.67	12.50	12.17	12.63	12.73	12.37	11.90-12.10	12.20-12.60	12.40-12.70
Wheat--Kansas city HRW ($/bu.)	3.72	3.47	3.09	3.31	3.40	--	--	--	--
Corn--Chicago ($/bu.)	2.81	2.86	2.52	2.41	2.65	--	--	--	--
Soybeans--Chicago ($/bu.)	4.92	5.89	5.52	5.09	5.55	--	--	--	--
Cotton--Avg. spot mkt. (cts./lb.)	59.6	60.5	57.9	56.1	58.5	--	--	--	--

	1978	1979	1980	1981	1982	1983	1984	1985	1986 F
Gross cash income ($ bil.)	117.1	135.1	143.3	146.5	149.0	148.1	153.3	151-154	145-149
Gross cash expenses ($ bil.)	82.6	98.1	106.1	110.7	110.7	109.8	114.1	109-111	106-110
Net cash income ($ bil.)	34.6	37.0	37.2	35.8	38.3	38.3	39.2	41-44	37-41
Net farm income	27.4	31.7	20.2	29.8	24.6	15.0	34.5	29-32	21-25
Farm real estate values (1977=100)	109	125	145	158	157	148	146	128	112

1/ Quarterly data seasonally adjusted at annual rates. 2/ Annual data based on Oct.-Sept. fiscal years ending with year indicated. 3/ Calendar year quarters; feed year annual. Use includes exports and domestic disappearance. 4/ Simple averages. F = Forecast.

Table 2.—U.S. gross national product and related data

	Annual			1984	1985			
	1983	1984	1985 r	IV	I	II	III	IV r
	$ Bil. (Quarterly data seasonally adjusted at annual rates)							
Gross national product	3,401.6	3,774.7	3,988.6	3,852.5	3,917.5	3,960.6	4,016.9	4,059.3
Personal consumption expenditures	2,229.3	2,423.0	2,582.3	2,480.1	2,525.0	2,563.3	2,606.1	2,634.8
Durable goods	289.6	331.1	361.5	341.5	351.5	356.5	376.0	362.0
Nondurable goods	817.0	872.4	912.2	883.1	895.7	910.2	914.5	928.3
Clothing & shoes	135.2	147.4	156.0	149.7	152.8	156.3	155.7	159.4
Food & beverages	422.0	451.7	474.0	459.6	465.5	472.1	475.9	482.5
Services	1,122.7	1,219.6	1,308.7	1,255.4	1,277.8	1,296.6	1,315.6	1,344.6
Gross private domestic investment	501.9	674.0	669.3	676.2	657.6	672.8	666.1	680.7
Fixed investment	508.3	607.0	661.8	637.2	639.1	657.3	665.9	685.0
Change in business inventories	-6.4	67.1	7.5	39.0	18.5	15.5	0.2	-4.3
Net exports of goods & services	-5.3	-59.2	-78.5	-72.2	-42.3	-70.3	-87.8	-113.4
Government purchases of goods & services	675.7	736.8	815.4	768.4	777.2	794.8	832.5	857.2
	1982 $Bil. (Quarterly data seasonally adjusted at annual rates)							
Gross national product	3,277.7	3,492.0	3,570.0	3,515.6	3,547.8	3,557.4	3,584.1	3,590.8
Personal consumption expenditures	2,145.9	2,239.9	2,313.0	2,262.0	2,288.6	2,303.5	2,329.6	2,330.4
Durable goods	283.6	318.6	345.3	327.6	335.0	340.3	359.3	346.7
Nondurable goods	800.7	828.0	846.9	828.6	839.9	846.7	849.8	851.1
Clothing & shoes	132.7	142.8	146.9	142.9	145.0	147.4	146.9	148.1
Food & beverages	414.3	423.0	436.0	424.7	430.1	436.8	439.5	437.8
Services	1,061.7	1,093.3	1,120.8	1,105.8	1,113.7	1,116.5	1,120.4	1,132.6
Gross private domestic investment	503.4	661.3	649.0	659.9	639.6	655.6	645.0	655.7
Fixed investment	508.9	598.6	643.3	623.8	623.8	640.5	646.8	662.0
Change in business inventories	-5.5	62.7	5.7	36.1	15.8	15.1	-1.8	-6.3
Net exports of goods & services	-19.4	-85.0	-108.4	-100.2	-71.8	-101.1	-119.8	-140.8
Government purchases of goods & services	647.8	675.9	716.4	693.9	691.4	699.4	729.2	745.5
GNP implicit price deflator % change	3.8	4.1	3.3	3.7	3.0	3.3	2.9	3.3
Disposable personal income ($bil.)	2,425.4	2,670.2	2,800.8	2,723.8	2,739.2	2,817.7	2,800.2	2,845.9
Disposable per. income (1982 $bil.)	2,334.6	2,468.4	2,508.7	2,484.4	2,482.7	2,532.2	2,503.1	2,517.1
Per capita disposable per. income ($)	10,328	11,263	11,703	11,447	11,487	11,790	11,687	11,847
Per capita dis. per. income (1982 $)	9,942	10,412	10,483	10,441	10,411	10,595	10,447	10,479
U.S. population, total, incl. military abroad (mil.)	234.8	237.1	239.3	238.0	238.5	239.0	239.6	240.2
Civilian population (mil.)	232.6	234.9	237.0	235.7	236.2	236.8	237.4	237.9

	Annual			1985			1986	
	1983	1984	1985 p	Feb	Nov	Dec	Jan	Feb p
	Monthly data seasonally adjusted except as noted							
Industrial production (1977=100)	109.2	121.8	124.5	123.7	125.4	126.3	126.5	125.7
Leading economic indicators (1967=100)	156.0	165.7	168.7	167.4	171.5	174.1	174.1	175.4
Civilian employment (mil. persons)	100.8	105.0	107.2	106.6	108.0	108.2	109.0	108.6
Civilian unemployment rate (%)	9.6	7.5	7.2	7.3	7.0	6.9	6.7	7.3
Personal income ($ bil. annual rate)	2,836.4	3,111.9	3,293.5	3,247.2	3,347.9	3,384.3	3,387.1	3,406.3
Money stock-M2 (daily avg.) ($bil) 1/	2,188.8	2,373.7	2,565.5	2,421.8	2,550.7	2,565.5	2,568.4	2,576.1
Three-month Treasury bill rate (%)	8.63	9.58	7.48	8.22	7.20	7.07	7.04	7.03
Aaa corporate bond yield (Moody's) (%)	12.04	12.71	11.37	12.13	10.55	10.16	10.05	9.67
Housing starts (thou.) 2/	1,703	1,750	1,742	1,632	1,654	1,882	2,056	1,985
Auto sales at retail, total (mil.)	9.2	10.4	11.0	11.0	9.8	11.5	11.5	10.9
Business inventory/sales ratio	1.34	1.39	1.40	1.43	1.43	1.41	1.43	—
Sales of all retail stores ($ bil.)	97.9	107.8	114.5	112.0	115.4	116.9	117.4 p	117.3
Nondurable goods stores ($ bil.)	64.8	68.9	71.6	70.6	72.8	73.0	73.1 p	73.1
Food stores ($ bil.)	21.2	22.5	23.5	23.1	24.0	24.2	24.2 p	24.0
Eating & drinking places ($ bil.)	9.6	10.4	10.9	10.7	11.1	11.0	11.1 p	11.0
Apparel & accessory stores ($ bil.)	5.0	5.4	5.8	5.6	6.0	6.0	5.9 p	6.0

1/ Annual data as of December of the year listed. 2/ Private, including farm. p = preliminary. r = revised.

Table 3.—Foreign economic growth, inflation, and exports

	Average 1970–74	Average 1975–79	1980	1981	1982	1983	1984	1985 est.
				Annual percent change				
Total foreign								
Real GNP	5.0	3.7	3.1	2.0	1.9	1.9	3.1	3.0
CPI	10.2	14.0	16.1	15.3	14.4	18.4	21.3	21.3
Export earnings	27.5	14.6	22.6	-2.0	-7.7	-2.2	6.0	2.8
Developed less U.S.								
Real GNP	4.8	3.1	2.3	1.3	1.1	1.9	3.4	2.9
CPI	8.4	9.4	10.9	9.6	8.1	6.1	5.1	4.7
Export earnings	23.9	14.9	17.0	-3.3	-4.2	-0.5	6.1	5.8
Centrally planned								
Real GNP	5.1	3.5	1.8	1.5	2.1	3.4	3.5	4.2
Export earnings	19.4	16.1	16.4	3.4	6.0	8.2	-3.1	0.5
Latin America								
Real GNP	7.4	5.1	5.3	.7	-.5	-2.7	3.1	3.3
CPI	23.5	53.7	61.3	64.9	73.5	117.3	145.3	164.2
Export earnings	28.1	12.8	30.1	4.4	-9.9	0	5.9	-3.3
Africa & Middle East								
Real GNP	8.9	6.5	1.3	0	1.4	.1	.4	-1.1
CPI	8.7	16.4	16.3	14.5	12.0	15.5	7.2	7.6
Export earnings	49.6	43.0	38.5	-6.7	-20.1	-17.3	-4.7	-3.1
Asia								
Real GNP	6.0	6.8	6.3	6.6	3.6	6.6	5.7	4.1
CPI	13.0	8.4	16.4	14.1	7.3	7.7	8.7	6.6
Export earnings	30.1	19.4	27.3	4.4	-.1	3.8	13.9	-2.9

1/ Export earnings measured in U.S. dollars.

Farm Prices

Table 4.—Indexes of prices received and paid by farmers, U.S. average

	Annual			1985			1986			
	1983	1984	1985 p	Mar	Oct	Nov	Dec	Jan	Feb	Mar p
					1977=100					
Prices received										
All farm products	135	142	129	134	123	127	128	124	122	121
All crops	128	139	121	128	111	116	118	113	111	111
Food grains	148	144	133	140	129	134	135	133	131	129
Feed grains & hay	143	145	122	130	105	109	113	114	113	111
Feed grains	146	148	122	131	104	108	113	114	112	110
Cotton	104	108	92	93	94	93	88	88	92	91
Tobacco	155	153	156	159	157	154	146	146	145	143
Oil-bearing crops	102	109	84	91	74	76	76	77	78	78
Fruit, all	128	203	187	177	192	196	178	160	154	151
Fresh market 1/	131	221	201	188	205	209	189	167	160	158
Commercial vegetables	130	135	130	157	113	135	178	138	117	130
Fresh market	129	133	125	158	103	130	186	133	108	123
Potatoes etc. 2/	123	157	125	137	93	91	89	88	91	94
Livestock & products	141	146	136	141	134	138	137	135	133	131
Meat animals	147	151	142	148	138	143	142	141	139	136
Dairy products	140	139	131	137	130	130	130	129	128	126
Poultry & eggs	118	135	119	116	123	133	131	122	116	125
Prices paid										
Commodities & services, interest, taxes, & wage rates	160	164	163	164	162	162	162	163	163	—
Production items	153	155	151	153	148	149	149	150	149	—
Feed	134	135	116	121	108	110	112	114	113	—
Feeder livestock	160	154	154	164	148	150	145	147	152	—
Seed	141	151	153	156	154	154	154	154	154	—
Fertilizer	137	143	135	137	130	130	128	128	128	—
Agricultural chemicals	125	128	128	126	128	128	128	128	128	—
Fuels & energy	202	201	201	195	202	205	206	203	188	—
Farm & motor supplies	152	147	146	148	144	144	144	145	145	—
Autos & trucks	170	182	193	189	193	199	199	198	197	—
Tractors & self-propelled machinery	174	181	178	180	174	174	174	174	174	—
Other machinery	171	180	183	182	184	184	184	184	184	—
Building & fencing	138	138	136	136	136	135	136	136	136	—
Farm services & cash rent	146	148	150	150	152	152	150	153	153	—
Interest payable per acre on farm real estate debt	250	251	242	242	250	250	242	237	237	—
Taxes payable per acre on farm real estate	129	132	133	133	135	135	133	136	136	—
Wage rates (seasonally adjusted)	148	151	154	154	150	150	150	150	150	—
Production items, interest, taxes, & wage rates	159	161	157	159	154	155	155	156	155	—
Ratio, prices received to prices paid 3/	84	86	79	82	76	78	79	76	75	74
Prices received (1910–14=100)	614	650	587	614	561	581	585	567	557	554
Prices paid, etc. (Parity index) (1910–14=100)	1,104	1,130	1,121	1,125	1,112	1,116	1,116	1,121	1,119	—
Parity ratio (1910–14=100) 3/	56	58	52	55	50	52	52	51	50	—

1/ Fresh market for noncitrus; fresh market and processing for citrus. 2/ Includes sweetpotatoes and dry edible beans. 3/ Ratio of index of prices received for all farm products to index of prices paid for commodities and services, interest, taxes, and wage rates. Prices paid data will be published in January, April, July, and October. p = preliminary.

Table 5.—Prices received by farmers, U.S. average

	Annual*			1985				1986		
	1983	1984	1985 p	Mar	Oct	Nov	Dec	Jan	Feb	Mar p
Crops										
All wheat ($/bu.)	3.58	3.46	3.20	3.38	3.09	3.23	3.25	3.19	3.15	3.11
Rice, rough ($/cwt.)	8.76	8.07	7.85	8.17	7.73	7.84	7.71	7.90	7.86	7.69
Corn ($/bu.)	2.99	3.05	2.49	2.67	2.12	2.20	2.29	2.33	2.32	2.25
Sorghum ($/cwt.)	4.89	4.60	3.98	4.24	3.30	3.47	3.76	3.69	3.55	3.60
All hay, baled ($/ton)	73.70	75.40	70.20	72.20	66.00	66.00	67.20	67.80	67.30	68.00
Soybeans ($/bu.)	6.73	7.02	5.42	5.88	4.85	4.92	5.00	5.16	5.18	5.22
Cotton, Upland (cts./lb.)	62.9	65.6	55.9	56.1	56.7	56.0	53.3	53.0	55.4	55.0
Potatoes ($/cwt.)	5.82	5.69	3.91	5.40	3.59	3.35	3.23	3.11	3.30	3.51
Lettuce ($/cwt.) 1/	12.31	10.98	10.63	9.63	9.92	13.30	26.20	11.80	8.55	8.35
Tomatoes ($/cwt.)	20.10	25.62	22.51	58.20	22.10	32.60	43.30	34.20	22.80	35.40
Onions ($/cwt.)	11.17	9.70	7.75	7.93	6.58	6.77	8.09	6.21	6.31	6.79
Dry edible beans ($/cwt.)	22.40	18.80	n.a.	19.10	16.80	17.50	17.30	17.40	16.90	17.00
Apples for fresh use (cts./lb.)	14.9	15.5	n.a.	15.7	17.3	17.5	17.7	17.0	17.9	18.4
Pears for fresh use ($/ton)	216.00	300.00	339.00	378.00	332.00	374.00	357.00	348.00	350.00	417.00
Oranges, all uses ($/box) 2/	5.95	7.97	n.a.	7.35	5.11	5.76	5.07	4.05	3.69	3.69
Grapefruit, all uses ($/box) 2/	2.68	3.77	n.a.	3.02	4.01	3.19	3.71	3.70	3.72	3.90
Livestock										
Beef cattle ($/cwt.)	55.80	57.60	54.00	57.30	52.10	54.80	53.70	53.20	53.00	51.80
Calves ($/cwt.)	62.10	60.20	62.40	65.90	60.20	61.40	58.80	60.10	62.80	62.60
Hogs ($/cwt.)	46.20	47.60	43.90	43.60	43.10	43.20	45.30	44.30	42.80	40.70
Lambs ($/cwt.)	55.50	60.30	68.10	68.00	67.80	66.00	62.70	63.90	67.00	66.80
All milk, sold to plants ($/cwt.)	13.60	13.50	12.70	13.30	12.60	12.60	12.60	12.50	12.40	12.20
Milk, manuf. grade ($/cwt.)	12.63	12.54	11.77	12.30	11.70	11.70	11.70	11.60	11.40	11.30
Broilers (cts./lb.)	29.3	33.1	30.1	30.1	27.7	31.8	30.0	30.5	29.0	30.2
Eggs (cts./doz.) 3/	63.1	70.2	57.3	57.6	63.5	66.2	66.2	65.1	61.5	68.3
Turkeys (cts./lb.)	36.5	46.6	48.0	40.7	57.0	58.4	60.0	35.7	36.4	36.9
Wool (cts./lb.) 4/	61.5	76.5	67.0	61.0	70.1	56.6	57.9	54.3	55.8	61.7

1/ Due to program modifications, 1983 data not comparable with 1984 and 1985. 2/ Equivalent on-tree returns. 3/ Average of all eggs sold by producers including hatching eggs and eggs sold at retail. 4/ Average local market price, excluding incentive payments. *Calendar year averages, except for potatoes, dry edible beans, apples, oranges, and grapefruit, which are crop years. p = preliminary. n.a. = not available.

Producer and Consumer Prices

Table 6.—Consumer Price Index for all urban consumers, U.S. average (not seasonally adjusted)

	Annual	1985						1986	
	1985	Feb	July	Aug	Sept	Oct	Nov	Dec	Jan	Feb
					1967=100					
Consumer price index, all items	322.2	317.4	322.8	323.5	324.5	325.5	326.6	327.4	328.4	327.5
Consumer price index, less food	323.3	317.4	324.2	325.0	326.2	327.4	328.5	328.9	329.5	328.5
All food	309.8	309.5	309.5	309.7	309.9	309.8	311.0	313.2	315.6	315.3
Food away from home	346.7	341.4	347.3	348.4	349.9	350.3	351.3	352.1	353.1	354.2
Food at home	296.8	298.6	296.2	295.9	295.6	295.3	296.6	299.3	302.5	301.5
Meats 1/	265.5	270.6	262.7	261.2	260.4	261.2	266.3	270.1	270.6	268.4
Beef & veal	269.7	275.6	264.7	261.8	261.1	263.2	270.8	277.8	275.7	272.3
Pork	253.1	258.9	253.1	253.8	252.1	249.9	254.0	254.7	259.3	257.0
Poultry	216.4	219.5	214.7	213.9	215.9	214.3	216.8	220.3	218.2	218.5
Fish	405.9	401.4	402.7	406.1	408.6	407.9	419.0	420.3	443.9	430.6
Eggs	174.3	169.7	168.4	171.0	185.7	187.4	190.8	196.7	194.4	186.7
Dairy products 2/	258.0	259.2	257.8	257.4	258.0	257.1	257.1	256.9	257.2	257.3
Fats & oils 3/	294.4	295.1	297.8	297.1	294.8	291.2	292.1	290.3	292.1	291.4
Fresh fruit	361.8	362.6	370.0	375.9	368.5	358.5	336.3	335.8	350.8	353.3
Processed fruit 4/	168.2	166.9	169.3	169.6	169.5	168.7	168.2	167.0	166.8	165.7
Fresh vegetables	317.5	346.3	317.9	301.4	286.7	288.1	300.0	338.3	362.3	311.1
Potatoes	324.6	335.7	384.9	331.8	283.3	260.0	257.6	260.1	267.9	262.8
Processed vegetables 4/	147.7	147.5	148.6	149.0	148.2	147.5	147.1	147.1	147.5	147.6
Cereals & bakery products 4/	317.0	313.7	317.3	318.5	319.2	318.9	319.9	321.9	322.0	322.5
Sugar & sweets	398.8	394.8	400.2	401.8	401.1	402.6	401.4	402.2	405.1	408.6
Beverages, nonalcoholic	451.7	452.7	448.2	449.6	452.8	454.1	451.7	448.8	459.7	485.3
Apparel commodities less footwear	188.1	183.7	184.1	187.3	192.6	194.0	193.6	191.1	186.3	185.2
Footwear	212.1	210.1	211.4	210.3	210.9	212.3	215.5	213.1	209.1	207.9
Tobacco products	328.5	323.2	330.0	331.5	332.8	334.4	334.7	337.4	342.7	344.7
Beverages, alcoholic	229.5	225.8	227.8	228.9	229.3	236.4	236.2	236.2	237.5	238.3

1/ Beef, veal, lamb, pork, and processed meat. 2/ Includes butter. 3/ Excludes butter. 4/ December 1977 = 100.

Table 7.—Producer price indexes, U.S. average (not seasonally adjusted)

	Annual			1985					1986	
	1983	1984	1985 p	Feb	Sept	Oct	Nov	Dec	Jan	Feb
						1967=100				
Finished goods 1/	285.2	291.1	293.8	292.6	289.9	294.7	296.7	297.2	296.2	292.3
Consumer foods	261.8	273.3	271.2	275.6	265.7	268.2	272.0	274.4	274.9	272.3
Fresh fruit	252.0	253.0	256.0	285.7	249.6	244.4	261.1	270.1	246.8	250.4
Fresh & dried vegetables	248.9	278.3	245.3	272.8	210.3	206.4	202.8	244.8	244.0	203.7
Dried fruit	409.9	386.6	362.7	355.8	369.1	374.7	369.2	369.3	369.3	369.0
Canned fruit & juice	286.8	312.4	323.1	323.3	324.3	321.1	315.9	314.2	314.2	313.3
Frozen fruit & juice	300.9	351.4	363.1	372.9	358.9	351.0	345.4	341.3	325.5	321.5
Fresh veg. excl. potatoes	210.0	219.1	205.9	226.3	189.0	178.1	173.2	220.4	220.0	169.6
Canned veg. and juices	247.1	252.6	246.9	244.8	243.7	243.6	239.1	238.4	241.1	243.9
Frozen vegetables	283.6	291.0	298.4	297.0	299.0	299.5	298.6	298.8	298.6	299.2
Potatoes	319.8	397.7	304.3	350.4	208.2	237.7	241.9	264.7	263.2	267.5
Eggs	n.a.	210.8	171.0	161.5	188.3	191.1	195.2	200.0	191.6	176.0
Bakery products	285.9	299.1	313.5	308.8	317.1	318.6	317.8	319.3	321.2	320.6
Meats	236.4	236.8	227.5	237.8	213.6	225.1	231.7	232.7	229.5	222.0
Beef & veal	236.3	237.1	220.1	234.9	200.7	215.9	225.8	224.5	219.9	210.7
Pork	227.5	226.5	224.0	231.5	213.1	226.5	228.2	233.2	231.2	221.2
Poultry	185.3	206.0	197.5	196.5	201.4	199.8	209.9	204.9	192.0	187.5
Fish	445.2	476.0	492.1	493.5	466.4	465.7	544.1	556.4	567.4	571.0
Dairy products	250.6	251.7	249.4	254.0	246.2	246.0	246.2	246.2	245.9	246.1
Processed fruits & vegetables	277.4	294.3	296.7	296.6	295.0	293.3	290.0	288.8	286.8	287.2
Shortening & cooking oils	254.7	311.6	290.5	302.4	271.2	264.2	264.8	262.4	262.3	254.7
Consumer finished goods less foods	291.4	294.1	297.4	293.5	294.5	299.4	301.1	301.1	298.8	292.5
Beverages, alcoholic	205.0	209.8	213.0	210.5	214.4	215.6	215.9	215.8	216.2	216.4
Soft drinks	327.4	340.2	344.2	349.3	338.6	341.9	339.2	341.0	341.9	345.9
Apparel	197.4	201.3	204.2	203.2	204.6	204.8	204.9	205.1	204.9	205.4
Footwear	250.1	251.7	256.8	255.9	258.9	259.0	259.2	258.9	259.7	260.4
Tobacco products	365.4	398.4	428.2	420.6	436.0	435.1	435.7	435.5	451.0	451.5
Intermediate materials 2/	312.3	320.0	318.7	318.7	317.7	317.6	318.1	318.8	317.2	313.5
Materials for food manufacturing	258.4	271.1	258.7	265.3	249.9	252.3	253.6	253.0	252.4	248.9
Flour	186.2	185.2	183.1	186.9	178.1	180.4	183.8	183.9	182.6	182.3
Refined sugar 3/	172.1	173.5	165.6	166.1	165.1	163.8	163.0	162.9	165.7	165.2
Crude vegetable oils	194.2	262.2	219.4	235.8	184.6	181.3	168.5	163.4	164.8	153.9
Crude materials 4/	323.6	330.8	306.2	318.1	296.8	297.8	305.6	304.7	301.3	290.5
Foodstuffs & feedstuffs	252.2	259.5	235.0	250.0	222.9	224.6	236.7	236.8	231.4	226.9
Fruits & vegetables 5/	262.1	278.1	260.5	289.6	238.2	233.8	239.6	266.9	255.8	234.0
Grains	240.4	239.7	202.7	217.2	181.1	176.3	191.5	195.6	193.4	195.6
Livestock	243.1	251.8	229.7	249.7	198.5	227.3	238.5	237.9	231.0	224.4
Poultry, live	206.5	240.6	226.2	222.4	244.5	225.2	254.8	235.2	212.8	197.4
Fibers, plant & animal	227.0	228.4	197.8	200.6	191.1	191.3	189.8	186.6	196.3	198.4
Fluid milk	282.0	278.3	264.6	281.0	255.9	256.0	257.3	255.2	253.1	252.7
Oilseeds	245.3	253.3	202.7	211.7	187.3	175.7	194.1	193.2	195.0	197.4
Tobacco, leaf	274.2	274.6	274.1	278.4	276.4	275.9	271.0	257.2	243.9	242.2
Sugar, raw cane	315.9	312.0	291.2	293.7	288.5	273.3	267.0	272.6	283.2	288.1
All commodities	303.1	310.3	308.8	309.1	305.9	307.9	309.7	310.2	309.0	304.7
Industrial commodities	315.7	322.6	323.9	322.2	322.2	324.2	325.0	325.2	324.0	319.4
All foods 6/	257.5	269.2	264.6	269.7	258.1	260.2	264.4	266.8	266.9	263.6
Farm products & processed foods & feeds	253.9	262.4	250.5	258.0	243.0	245.1	251.0	252.1	250.9	247.9
Farm products	248.2	255.8	230.4	245.3	218.8	219.9	230.1	231.6	226.2	220.6
Processed foods & feeds 6/	255.9	265.0	260.5	263.9	255.3	257.8	261.5	262.3	263.5	261.9
Cereal & bakery products	261.0	270.5	279.7	277.7	281.1	282.8	282.2	283.0	284.0	283.5
Sugar & confectionery	292.8	301.2	291.1	291.1	290.1	286.1	285.6	286.1	291.9	295.3
Beverages	263.6	273.1	276.7	277.5	275.1	276.5	276.4	278.7	287.8	292.5

1/ Commodities ready for sale to ultimate consumer. 2/ Commodities requiring further processing to become finished goods. 3/ All types and sizes of refined sugar. (Dec. 1977 = 100). 4/ Products entering market for the first time which have not been manufactured at that point. 5/ Fresh and dried. 6/ Includes all raw, intermediate, and processed foods (excludes soft drinks, alcoholic beverages, and manufactured animal feeds). (1977 = 100). n.a. = not available.

Table 8.—Farm-retail price spreads

	Annual			1985					1986	
	1983	1984	1985	Feb	Sept	Oct	Nov	Dec	Jan	Feb
Market basket 1/										
Retail cost (1967=100)	268.7	279.3	282.6	284.8	281.0	280.5	282.1	285.4	287.3	284.2
Farm value (1967=100)	242.3	255.4	237.1	250.6	221.7	225.8	237.5	242.8	233.7	224.0
Farm-retail spread (1967=100)	284.3	293.3	309.3	304.8	315.9	312.7	308.3	310.5	318.8	332.7
Farm value/retail cost (%)	33.4	33.9	31.1	32.6	29.2	29.8	31.2	31.5	30.1	29.2
Meat products										
Retail cost (1967=100)	267.2	268.1	265.5	270.6	260.4	261.2	266.3	270.1	270.6	268.4
Farm value (1967=100)	235.8	241.5	221.8	242.1	196.9	209.5	226.4	233.5	227.6	218.4
Farm-retail spread (1967=100)	304.0	299.1	316.6	304.0	334.8	321.7	313.0	312.9	321.0	327.0
Farm value/retail cost (%)	47.6	48.6	45.1	48.2	40.8	43.3	45.9	46.6	45.4	43.9
Dairy products										
Retail cost (1967=100)	250.0	253.2	258.0	259.2	258.0	257.1	257.1	256.9	257.2	257.3
Farm value (1967=100)	262.1	258.8	248.3	261.0	240.1	241.4	238.8	238.0	237.9	239.3
Farm-retail spread (1967=100)	239.3	248.3	266.5	257.6	273.8	271.1	273.2	273.5	274.1	273.1
Farm value/retail cost (%)	49.0	47.8	45.0	47.1	43.5	43.9	43.4	43.3	43.2	43.5
Poultry										
Retail cost (1967=100)	197.5	218.5	216.4	219.5	215.9	214.3	216.8	220.3	218.2	218.5
Farm value (1967=100)	213.0	249.9	234.9	228.2	249.0	234.9	259.2	251.8	219.7	212.5
Farm-retail spread (1967=100)	182.4	188.1	198.4	211.1	183.8	194.4	175.7	189.8	216.7	224.3
Farm value/retail cost (%)	53.1	56.3	53.4	51.1	56.7	53.9	58.8	56.2	49.5	47.8
Eggs										
Retail cost (1967=100)	187.1	209.0	174.3	169.7	185.7	187.4	190.8	196.7	194.4	186.7
Farm value (1967=100)	206.1	230.3	178.9	159.7	199.0	204.5	216.1	215.7	208.3	192.1
Farm-retail spread (1967=100)	159.5	178.2	167.6	184.1	166.5	162.6	154.3	169.1	174.3	178.9
Farm value/retail cost (%)	65.1	65.1	60.7	55.6	63.3	64.5	66.9	64.8	63.3	60.8
Cereal & bakery products										
Retail cost (1967=100)	292.5	305.3	317.0	313.7	319.2	318.9	319.9	321.9	322.0	322.5
Farm value (1967=100)	186.6	192.0	175.6	184.2	166.8	163.5	171.0	169.0	170.2	165.3
Farm-retail spread (1967=100)	314.0	328.7	346.3	340.5	350.7	350.5	350.7	353.6	353.4	355.0
Farm value/retail cost (%)	11.1	10.8	9.5	10.1	8.8	8.9	9.2	9.0	9.1	8.8
Fresh fruits										
Retail cost (1967=100)	303.6	345.3	383.5	382.9	391.3	382.5	359.5	358.4	373.6	372.1
Farm value (1967=100)	220.6	315.1	299.1	338.9	275.1	286.8	329.7	341.0	286.2	269.8
Farm-retail spread (1967=100)	340.8	358.9	421.4	402.7	443.5	425.5	372.9	366.1	412.8	418.0
Farm value/retail cost (%)	22.5	28.3	24.2	27.4	21.8	23.2	28.4	29.4	23.7	22.5
Fresh vegetables										
Retail costs (1967=100)	299.3	331.8	317.5	346.3	286.7	288.1	300.0	338.3	362.3	311.1
Farm value (1967=100)	267.4	298.7	256.7	255.1	210.4	183.3	208.7	286.3	257.3	179.0
Farm-retail spread (1967=100)	314.3	347.4	346.1	389.2	322.6	337.4	342.9	362.7	411.7	373.2
Farm value/retail cost (%)	28.6	28.8	25.9	23.6	23.5	20.4	22.2	27.1	22.7	18.4
Processed fruits & vegetables										
Retail cost (1967=100)	288.8	306.1	314.1	312.7	315.9	314.4	313.5	312.3	312.6	311.6
Farm value (1967=100)	300.5	343.5	378.5	376.4	377.9	381.0	379.4	358.5	345.0	333.4
Farm-retail spread (1967=100)	286.2	297.8	299.9	298.6	302.2	299.7	298.9	302.1	305.4	306.8
Farm value/retail costs (%)	18.9	20.3	21.8	21.8	21.7	22.0	21.9	20.8	20.0	19.4
Fats & oils										
Retail cost (1967=100)	263.1	288.0	294.4	295.1	294.8	291.2	292.1	290.3	292.1	291.4
Farm value (1967=100)	251.0	324.8	271.3	301.9	224.0	224.0	211.4	237.5	203.5	190.5
Farm-retail spread (1967=100)	267.8	273.8	303.3	292.5	322.0	317.0	323.2	310.6	326.2	330.2
Farm value/retail cost (%)	26.5	31.3	25.6	28.4	21.1	21.4	20.1	22.7	19.4	18.2

	Annual			1985					1986	
	1983	1984	1985	Feb	Sept	Oct	Nov	Dec	Jan	Feb
Beef, Choice										
Retail price 2/ (cts./lb.)	238.1	239.6	232.6	238.7	223.6	224.2	229.9	236.9	236.9	232.5
Net carcass value 3/ (cts.)	145.4	147.6	135.2	144.3	121.4	136.0	148.8	147.7	138.6	130.0
Net farm value 4/ (cts.)	136.2	140.0	126.8	137.2	111.1	127.6	138.1	137.4	128.4	121.0
Farm-retail spread (cts.)	101.9	99.6	105.8	101.5	112.5	96.6	91.8	99.5	108.5	111.5
Carcass-retail spread 5/ (cts.)	92.7	92.0	97.4	94.4	102.2	88.2	81.1	89.2	98.3	102.5
Farm-carcass spread 6/ (cts.)	9.2	7.6	8.4	7.1	10.3	8.4	10.7	10.3	10.2	9.0
Farm value/retail price (%)	57	58	55	57	50	57	60	58	54	52
Pork										
Retail price 2/ (cts./lb.)	169.8	162.0	162.0	165.6	159.8	160.0	162.4	166.5	169.0	168.3
Wholesale value 3/ (cts.)	108.9	110.1	101.1	106.9	93.1	98.7	99.6	103.5	99.1	95.7
Net farm value 4/ (cts.)	76.5	77.4	71.4	77.5	64.3	70.5	70.6	75.3	72.9	69.5
Farm-retail spread (cts.)	93.3	84.6	90.6	88.1	95.5	89.5	91.8	91.2	96.1	98.8
Wholesale-retail spread 5/ (cts.)	60.9	51.9	60.9	58.7	66.7	61.3	62.8	63.0	69.9	72.6
Farm-wholesale spread 6/ (cts.)	32.4	32.7	29.7	29.4	28.8	28.2	29.0	28.2	26.2	26.2
Farm value/retail price (%)	45	48	44	47	40	44	43	45	43	41

1/ Retail costs are based on indexes of retail prices for domestically produced farm foods from the CPI-U published monthly by the Bureau of Labor Statistics. The farm value is the payment to farmers for quantity of farm product equivalent to retail unit, less allowance for byproduct. Farm values are based on prices at first point of sale and may include marketing charges such as grading and packing for some commodities. The farm-retail spread, the difference between the retail price and the farm value, represents charges for assembling, processing, transporting, and distributing these foods. 2/ Estimated weighted average price of retail cuts from pork and yield grade 3 beef carcasses. Retail cut prices from BLS. 3/ Value of carcass quantity equivalent to 1 lb. of retail cuts; beef adjusted for value of fat and bone byproducts. 4/ Market value to producer for quantity of live animal equivalent to 1 lb. of retail cuts minus value of byproducts. 5/ Represents charges for retailing and other marketing services such as fabricating, wholesaling, and in-city transportation. 6/ Represents charges made for livestock marketing, processing, and transportation to city where consumed.

Note: Annual historical data on farm-retail price spreads may be found in Food Consumption, Prices and Expenditures, Statistical Bulletin 736, ERS, USDA.

Table 9.—Price indexes of food marketing costs

(See the March 1986 issue.)

Livestock and Products

Table 10.—U.S. meats supply and use

Item	Beg. stks	Production 1/	Imports	Total supply	Exports	Shipments	Military consumption	Ending stocks	Civilian consumption Total	Civilian consumption Per capita 2/	Primary market price 3/
	Million pounds 4/									Pounds	
Beef:											
1984	325	23,598	1,823	25,746	329	47	112	358	24,900	78.5	65.34
1985	358	23,723	2,071	26,152	328	48	115	317	25,344	79.1	58.37
1986 F	317	23,000	2,125	25,442	435	60	100	300	24,347	75.9	58-63
Pork:											
1984	301	14,812	954	16,067	164	147	86	274	15,396	61.8	47.86
1985	274	14,803	1,128	16,205	128	129	72	229	15,647	62.1	43.77
1986 F	229	14,482	1,100	15,811	130	140	80	275	15,186	59.6	41-46
Veal:											
1984	9	495	24	528	6	1	4	14	503	2.1	60.23
1985	14	515	20	549	4	1	7	11	526	2.2	62.42
1986 F	11	511	20	542	4	0	7	7	524	1.8	60-65
Lamb and mutton:											
1984	11	379	20	410	2	3	0	7	398	1.5	62.18
1985	7	360	36	403	1	3	0	13	386	1.4	68.61
1986 F	13	338	35	386	2	1	0	9	374	1.4	63-68
Total red meat:											
1984	646	39,284	2,821	42,751	501	198	202	653	41,197	143.6	n.a.
1985	653	39,401	3,255	43,309	461	181	194	570	41,903	144.5	n.a.
1986 F	570	38,331	3,280	42,181	571	201	187	591	40,631	138.2	n.a.
Broilers:											
1984	21	13,011	0	13,032	407	145	34	20	12,426	52.9	55.6
1985	20	13,589	0	13,609	417	148	33	27	13,988	54.8	50.8
1986 F	27	14,263	0	14,265	440	130	35	25	13,635	57.0	47-51
Mature chicken:											
1984	92	696	0	788	26	2	2	119	638	2.7	n.a.
1985	119	679	0	798	21	2	2	144	630	2.7	n.a.
1986 F	144	649	0	793	20	4	1	110	658	2.8	n.a.
Turkeys:											
1984	162	2,685	0	2,847	27	7	13	125	2,676	11.4	74.4
1985	125	2,917	0	3,042	27	7	13	150	2,846	12.0	75.5
1986 F	150	3,239	0	3,389	30	7	16	220	3,116	13.0	62-66
Total poultry:											
1984	275	16,392	0	16,667	460	153	49	264	15,741	67.0	n.a.
1985	264	17,186	0	17,450	464	156	50	321	16,465	69.6	n.a.
1986 F	321	18,126	0	18,447	490	141	52	355	17,409	72.9	n.a.
Red meat & poultry:											
1984	921	55,676	2,821	59,418	961	351	251	917	56,938	210.6	n.a.
1985	917	56,587	3,255	60,759	925	337	243	891	58,468	214.0	n.a.
1986 F	891	56,457	3,280	60,628	1,061	342	239	946	58,040	211.5	n.a.

1/ Total including farm production for red meats and federally inspected plus non-federally inspected for poultry. 2/ Retail weight basis. 3/ Dollars per cwt for red meat; cents per pound for poultry. Beef, choice steers, Omaha 900-1,100 lbs.; Pork: barrows and gilts, 7 markets; veal farm price calves, lamb and mutton: choice slaughter lambs, San Angelo, broilers, wholesale 12-city average, turkeys, wholesale NY 8-16 lb. young hens. 4/ Carcass weight for red meats and certified ready-to-cook for poultry.
n.a. = not available. f = forecast.

Table 11.—U.S. egg supply and use

	Beg. stocks	Production	Imports	Total supply	Exports	Shipments	Military use	Hatching use	Ending stocks	Civilian consumption Total	Civilian consumption Per capita	Wholesale price*
	Million dozen											
1981	19.4	5,824.7	4.7	5,848.7	234.2	22.5	25.1	506.7	17.5	5,042.7	265.4	73.2
1982	17.5	5,801.9	2.5	5,821.8	158.2	26.7	22.4	505.6	20.3	5,088.6	265.1	70.1
1983	20.3	5,659.3	23.4	5,703.0	85.8	26.6	25.1	500.0	9.3	5,056.2	260.8	75.2
1984	9.3	5,708.2	32.0	5,749.5	58.2	27.8	17.6	529.5	11.1	5,105.3	260.9	80.9
1985 e	11.1	5,687.1	12.7	5,710.9	70.6	30.3	20.2	548.1	10.7	5,030.9	254.6	66.4
1986 f	10.7	5,700.0	8.0	5,718.7	95.0	23.0	20.0	550.0	10.0	5,020.7	251.7	67-71

* Cartoned Grade A Large eggs in New York. e = estimated. f = forecast.

Table 12.—U.S. milk supply and use[1]

Calendar year	Production	Farm use	Commercial: Farm marketings	Commercial: Beg. stocks	Imports	Total commercial supply	CCC net removals	Commercial: Ending stocks	Commercial: Disappearance	All milk price 2/
	Billion pounds									$/cwt
1980	128.4	2.4	126.1	5.4	2.1	133.6	8.8	5.8	119.0	13.05
1981	132.8	2.3	130.5	5.8	2.3	138.5	12.9	5.4	120.3	13.76
1982	135.5	2.4	133.1	5.4	2.5	141.0	14.3	4.6	122.1	13.59
1983	139.7	2.4	137.3	4.6	2.6	144.5	16.8	5.2	122.5	13.57
1984	135.5	3.1	132.4	5.2	2.7	140.4	8.6	4.9	126.8	13.45
1985 p	143.7	2.6	141.1	4.9	2.8	148.8	13.2	4.6	131.0	12.73
1986 f	143.9	2.4	141.5	4.6	2.8	148.9	9.1	4.8	135.0	12.55

1/ Milkfat basis. Totals may not add because of rounding. 2/ Delivered to plants and dealers; does not reflect deductions.
p = preliminary. f = forecast.

Table 13.—Poultry and eggs

	Annual			1985					1986	
	1983	1984	1985	Feb	Sept	Oct	Nov	Dec	Jan	Feb
Broilers										
Federally inspected slaughter, certified (mil. lb.)	12,389	12,999	13,556	991.5	1,070.4	1,251.9	997.8	1,094.1	1,199.5	1,005.9
Wholesale price, 12-city, (cts./lb.) 1/	49.4	55.6	50.8	51.9	52.2	48.3	53.7	48.7	51.7	49.0
Price of grower feed ($/ton)	223	233	198	212	189	181	182	186	191	189
Broiler-feed price ratio (lb.) 2/	2.6	2.8	3.0	2.8	3.3	3.1	3.5	3.2	3.2	3.1
Stocks beginning of period (mil. lb.)	22.3	21.2	19.7	21.7	29.3	27.7	28.5	27.6	26.9	26.6
Broiler-type chicks hatched (mil) 3/	4,447.0	4,593.9	4,803.8	364.5	380.1	382.6	379.0	416.5	409.4	376.0
Turkeys										
Federally inspected slaughter, certified (mil. lb.)	2,563	2,574	2,793	148.0	286.3	341.2	281.7	210.7	187.3	167.7
Wholesale price, New York, 8-16 lb. young hens (cts./lb.)	60.5	74.4	75.5	65.6	82.4	90.2	93.1	86.9	60.2	61.7
Price of turkey grower feed ($/ton)	247	245	213	216	209	207	212	213	209	211
Turkey-feed price ratio (lb.) 2/	3.0	3.8	4.5	3.9	5.0	5.5	5.5	5.6	3.4	3.5
Stocks beginning of period (mil.lb.)	203.9	161.8	125.3	124.1	387.8	444.5	484.0	208.2	156.7	159.0
Poults placed in U.S. (mil.)	181.8	190.0	197.8	16.2	10.7	12.5	12.6	13.6	17.2	18.6
Eggs										
Farm production (mil.)	68,169	68,230	68,407	5,293	5,548	5,759	5,662	5,883	5,862	5,295
Average number of layers (mil.)	276	278	277	280	275	278	280	280	281	280
Rate of lay (eggs per layer on farms)	247	245	247	18.9	20.0	20.7	20.2	21.0	20.9	18.9
Cartoned price, New York, grade A large (cts./doz.) 4/	75.2	80.9	66.4	58.1	73.5	73.8	77.8	76.1	73.3	68.6
Price of laying feed ($/ton)	204	206	182	189	177	175	178	179	181	179
Egg-feed price ratio (lb.) 2/	6.2	6.8	6.3	5.6	7.0	7.3	7.4	7.4	7.2	6.9
Stocks, first of month										
Shell (thou. cases)	34	13	31	30	20	22	23	28	24	28
Frozen (mil. lb.)	25.4	11.8	13.4	14.9	18.4	16.4	15.1	13.8	13.2	12.7
Replacement chicks hatched (mil.)	407	459	407	28.4	33.6	33.6	33.6	34.6	34.4	34.7

1/ 12-city composite weighted average beginning April 25, 1983. 2/ Pounds of feed equal in value to 1 dozen eggs or 1 lb. of broiler or turkey liveweight. 3/ Placement of broiler chicks are currently reported for 12 states only; henceforth, hatch of broiler-type chicks will be used as a substitute. 4/ Price of cartoned eggs to volume buyers for delivery to retailers.

Table 14.—Dairy

	Annual			1985					1986	
	1983	1984	1985	Feb	Sept	Oct	Nov	Dec	Jan	Feb
Milk prices, Minnesota-Wisconsin,										
3.5% fat ($/cwt.) 1/	12.49	12.29	11.48	12.21	11.12	11.21	11.19	11.18	11.12	11.04
Price of 16% dairy ration ($/ton)	188	191	168	174	163	162	163	165	169	165
Milk-feed price ratio (lb.) 2/	1.45	1.42	1.51	1.57	1.51	1.56	1.55	1.53	1.52	1.50
Wholesale prices										
Butter, Grade A Chi. (cts./lb.)	147.3	148.8	141.1	141.2	141.2	141.6	139.5	139.1	138.7	138.7
Am. cheese, Wis. assembly pt. (cts./lb.)	138.3	138.0	127.7	134.3	124.3	124.3	123.7	123.8	123.8	124.5
Nonfat dry milk, (cts./lb.) 3/	93.2	90.9	84.0	90.6	80.8	80.6	80.5	80.4	80.4	80.1
USDA net removals										
Total milk equiv. (mil. lb.) 4/	16,813.7	8,637.0	13,174.1	1,383.9	718.7	732.0	640.8	833.5	1,979.9	2,262.0
Butter (mil. lb.)	413.2	202.3	334.2	44.6	13.3	18.2	12.5	21.5	70.6	79.8
Am. cheese (mil. lb.)	832.8	447.3	629.0	46.1	44.7	35.6	38.3	39.1	52.5	61.7
Nonfat dry milk (mil. lb.)	1,061.0	678.4	940.6	54.9	71.4	78.9	55.1	75.1	86.1	100.0
Milk										
Total milk production (mil. lb.)	139,672	135,450	143,667	10,525	11,857	12,058	11,564	11,968	12,176	11,297
Milk per cow (lb.)	12,585	12,506	13,031	973	1,065	1,080	1,035	1,070	1,091	1,015
Number of milk cows (thou.)	11,098	10,833	11,025	10,815	11,133	11,162	11,168	11,183	11,161	11,134
Stocks, beginning 4/										
Total (mil. lb.)	20,054	22,646	16,429	15,812	15,834	15,288	14,432	13,692	13,464	13,355
Commercial (mil. lb.)	4,603	5,234	4,937	5,119	5,250	5,038	4,934	4,705	4,590	4,760
Government (mil. lb.)	15,451	17,412	11,492	10,693	10,585	10,250	9,498	8,987	8,874	8,595
Imports, total (mil. lb.) 4/	2,616	2,741	2,777	249	246	306	287	299	292	179
Commercial disappearance milk equiv. (mil. lb.)	122,474	126,805	131,043	9,163	11,404	11,538	11,247	11,351	10,120	8,987
Butter										
Production (mil. lb.)	1,299.2	1,103.3	1,260.1	107.5	93.6	109.0	101.5	115.9	135.8	119.4
Stocks, beginning (mil. lb.)	466.8	499.4	296.5	277.3	264.6	247.0	231.6	206.9	205.5	206.3
Commercial disappearance (mil. lb.)	881.7	902.7	930.5	60.5	80.7	87.2	93.0	95.0	63.9	39.7
American cheese										
Production (mil. lb.)	2,927.7	2,648.2	2,854.2	201.7	221.8	230.5	221.9	235.9	239.2	227.2
Stocks, beginning (mil. lb.)	981.4	1,161.5	960.5	936.1	946.3	933.1	883.3	866.6	850.2	838.8
Commercial disappearance (mil. lb.)	2,083.3	2,253.6	2,278.1	163.0	195.7	210.2	195.3	205.7	184.6	162.6
Other cheese										
Production (mil. lb.)	1,891.8	2,025.5	2,154.7	153.6	182.4	198.8	190.4	199.5	186.7	171.6
Stocks, beginning (mil. lb.)	82.8	104.9	101.4	103.2	106.1	99.5	97.3	95.0	94.1	93.8
Commercial disappearance (mil. lb.)	2,134.3	2,310.9	2,444.7	178.4	215.2	233.6	221.7	231.7	206.5	190.7
Nonfat dry milk										
Production (mil. lb.)	1,499.9	1,158.9	1,390.8	91.1	105.8	105.8	96.7	115.7	123.7	114.7
Stocks, beginning (mil. lb.)	1,282.0	1,405.2	1,247.6	1,165.9	1,068.7	1,032.2	1,034.9	1,042.7	1,011.1	981.4
Commercial disappearance (mil. lb.)	459.9	496.0	435.8	35.1	34.2	57.2	44.1	31.2	47.8	20.0
Frozen dessert production (mil. gal.) 5/	1,224.2	1,229.1	1,243.1	80.7	106.5	97.3	81.1	79.7	82.9	87.2

1/ Manufacturing grade milk. 2/ Pounds of 16% protein ration equal in value to 1 pound of milk. 3/ Prices paid f.o.b. Central States production area, high heat spray process. 4/ Milk-equivalent, fat-basis. 5/ Ice cream, ice milk, and hard sherbet. n.a. = not available.

Table 15.—Wool

	Annual			1985					1986	
	1983	1984	1985	Feb	Sept	Oct	Nov	Dec	Jan	Feb
U.S. wool price, Boston 1/ (cts./lb.)	212	229	192	195	193	193	193	193	193	189
Imported wool price, Boston 2/ (cts./lb.)	248	241	197	210	194	197	190	193	204	202
U.S. mill consumption, scoured										
Apparel wool (thou. lb.)	126,729	128,982	107,344	8,281	10,523	8,568	8,931	9,093	12,627	11,126
Carpet wool (thou. lb.)	13,851	13,088	11,751	1,205	1,120	797	655	686	1,083	798

1/ Wool price delivered at U.S. mills, clean basis, Graded Territory 64's (20.60-22.04 microns) staple 2-3/4'' and up. 2/ Wool price delivered at U.S. mills, clean basis, Australian 60/62's, type 64A (24 micron). Duty since 1982 has been 10.0 cents.

Table 16.—Meat animals

	Annual			1985					1986	
	1983	1984	1985	Feb	Sept	Oct	Nov	Dec	Jan	Feb
Cattle on feed (7-States)										
Number on feed (thou. head) 1/	8,316	8,006	8,635	8,184	6,155	6,461	7,582	7,892	7,860	7,624
Placed on feed (thou. head)	19,744	20,772	19,346	1,341	1,988	2,779	1,776	1,480	1,581	1,210
Marketings (thou. head)	18,701	18,785	18,989	1,540	1,603	1,573	1,380	1,401	1,740	1,470
Other disappearance (thou. head)	1,354	1,376	1,132	94	79	85	76	111	77	102
Beef steer-corn price ratio, Omaha (bu.)2/	20.6	21.6	23.3	24.1	21.8	25.7	27.8	26.7	25.6	24.4
Hog-corn price ratio, Omaha (bu.) 2/	15.9	16.1	17.8	18.7	17.1	19.5	19.3	19.8	19.0	19.0
Market prices ($ per cwt.)										
Slaughter cattle:										
Choice steers, Omaha	62.37	65.34	58.37	62.80	51.29	58.02	63.30	62.94	59.69	56.42
Utility cows, Omaha	39.35	39.81	38.32	42.79	34.78	33.14	34.86	33.88	34.94	37.62
Choice vealers, S. St. Paul	72.97	63.95	58.28	62.19	60.00	60.00	55.00	45.94	45.00	52.50
Feeder cattle:										
Choice, Kansas City, 600-700 lb.	63.70	65.28	64.56	69.08	60.25	62.37	62.86	60.98	62.16	62.42
Slaughter hogs:										
Barrows & gilts, 7-markets	47.71	48.86	44.77	48.98	40.38	44.09	44.14	46.91	45.48	43.55
Feeder pigs:										
S. Mo. 40-50 lb. (per head)	34.03	39.12	37.20	44.02	31.11	36.49	31.67	28.65	30.96	37.26
Slaughter sheep & lambs:										
Lambs, Choice, San Angelo	57.40	62.18	68.61	67.58	69.75	67.25	64.17	59.33	65.81	67.50
Ewes, Good, San Angelo	16.85	20.90	34.02	35.12	33.62	30.25	32.83	36.67	34.69	31.88
Feeder lambs:										
Choice, San Angelo	54.87	61.02	85.91	72.31	76.50	81.65	87.92	84.67	77.90	75.12
Wholesale meat prices, Midwest										
Choice steer beef, 600-700 lb.	97.83	98.01	90.76	99.50	81.14	91.11	98.84	99.68	92.26	86.82
Canner & Cutter cow beef	78.48	74.70	74.13	76.26	70.23	68.12	68.37	67.08	69.71	72.92
Pork loins, 8-14 lb. 3/	-	96.36	91.51	97.69	89.44	97.85	100.34	90.00	95.43	91.75
Pork bellies, 12-14 lb.	60.58	60.08	59.50	67.50	51.40	52.09	58.63	51.73	61.27	51.50
Hams, skinned, 14-17 lb.	75.60	78.22	67.50	72.86	65.00	72.00	66.67	n.a.	64.44	63.00
Commercial slaughter (thou. head)*										
Cattle	36,649	37,570	36,289	2,776	2,998	3,242	2,812	2,924	3,330	2,715
Steers	17,486	17,474	16,906	1,291	1,397	1,408	1,238	1,293	1,515	1,270
Heifers	10,758	10,691	11,235	856	978	1,024	799	830	988	851
Cows	7,597	8,617	7,387	578	560	737	710	743	765	547
Bulls & stags	808	789	758	51	63	72	65	58	61	48
Calves	3,076	3,292	3,385	272	292	319	288	316	307	272
Sheep & lambs	6,619	6,758	6,179	484	497	571	476	505	518	452
Hogs	87,584	85,156	84,469	6,396	6,941	7,789	7,012	6,898	7,185	6,299
Commercial production (mil. lb.)										
Beef	23,058	23,410	23,548	1,768	1,985	2,109	1,812	1,853	2,139	1,769
Veal	429	477	498	37	42	46	42	46	46	40
Lamb & mutton	368	372	352	28	28	33	28	30	31	27
Pork	15,120	14,718	14,721	1,105	1,196	1,358	1,237	1,215	1,266	1,099

	Annual			1984		1985				1986
	1983	1984	1985	III	IV	I	II	III	IV	I
Cattle on feed (13-States)										
Number on feed (thou. head) 1/	10,271	9,908	10,653	8,700	9,000	10,653	9,688	8,670	7,937	9,694
Placed on feed (thou. head)	23,776	24,917	23,276	6,252	7,559	5,315	5,206	5,480	7,275	---
Marketings (thou. head)	22,548	22,540	22,857	5,684	5,507	5,907	5,787	5,969	5,194 5/	5,810
Other disappearance (thou. head)	1,591	1,632	1,378	268	417	373	437	244	324	---
Hogs & pigs (10-States) 4/										
Inventory (thou. head) 1/	44,150	42,420	41,100	41,915	43,180	42,420	39,530	41,450	41,820	41,100
Breeding (thou. head) 1/	5,638	5,348	5,258	5,771	5,550	5,348	5,215	5,397	5,377	5,258
Market (thou. head) 1/	38,512	37,072	35,842	36,144	37,630	37,072	34,315	36,053	36,443	35,842
Farrowings (thou. head)	9,735	9,020	9,020	2,259	2,316	1,935	2,420	2,191	2,265 1/	1,956
Pig crop (thou. head)	72,733	67,680	67,648	17,158	17,420	14,690	18,762	16,941	17,255	---

1/ Beginning of period. 2/ Bushels of corn equal in value to 100 pounds live-weight. 3/ Beginning January 1984 prices are for 14-17 lbs.; January 1986 prices are for 14-18 lbs. 4/ Quarters are Dec. of preceding year-Feb. (I), Mar.-May (II), June-Aug. (III), and Sept.-Nov. (IV). 5/ Intentions. *Classes estimated.

Table 17.—Supply and utilization

	Area											
	Set aside 3/	Planted	Harvested	Yield	Production	Total supply 4/	Feed and residual	Other domestic use	Exports	Total use	Ending stocks	Farm price 5/
	Mil. acres			Bu/acre	Mil. bu							$/bu
Wheat												
1981/82	--	88.3	80.6	34.5	2,785	3,777	135	712	1,771	2,618	1,159	3.65
1982/83	5.8	86.2	77.9	35.5	2,765	3,932	195	713	1,509	2,417	1,515	3.55
1983/84*	30.0	76.4	61.4	39.4	2,420	3,939	369	742	1,429	2,540	1,399	3.53
1984/85*	18.6	79.2	66.9	38.8	2,595	4,003	410	743	1,424	2,578	1,425	3.38
1985/86*	18.8	75.6	64.7	37.5	2,425	3,864	325	750	900	1,975	1,889	3.00-3.20
	Mil. acres			lb/acre	Mil. cwt (rough equiv.)							$/cwt
Rice												
1981/82	--	3.83	3.79	4,819	182.7	199.6	6/ 9.0	59.6	82.0	150.6	49.0	9.05
1982/83	0.42	3.30	3.26	4,710	153.6	203.4	6/ 8.9	54.0	68.9	131.8	71.5	8.11
1983/84*	1.74	2.19	2.17	4,598	99.7	171.9	6/ 5.6	49.1	70.3	125.0	46.9	8.76
1984/85*	.79	2.83	2.80	4,954	138.8	187.2	6/ 8.0	52.4	62.1	122.5	64.7	8.06
1985/86*	1.16	2.52	2.50	5,437	136.0	202.7	6/ 6.0	54.0	57.0	117.0	85.7	--
	Mil. acres			Bu/acre	Mil. bu							$/bu
Corn												
1981/82	--	84.1	74.5	108.9	8,119	9,154	4,202	812	1,967	6,980	2,174	2.50
1982/83	2.1	81.9	72.7	113.2	8,235	10,410	4,522	898	1,870	7,290	3,120	2.68
1983/84*	32.2	60.2	51.5	81.1	4,175	7,297	3,736	973	1,865	6,574	723	3.25
1984/85*	3.9	80.5	71.9	106.7	7,674	8,401	4,117	1,065	1,838	7,020	1,381	2.65
1985/86*	5.4	83.3	75.1	118.0	8,865	10,248	4,100	1,130	1,430	6,680	3,568	2.30-2.45
	Mil. acres			Bu/acre	Mil. bu							$/bu
Sorghum												
1981/82	--	15.9	13.7	64.0	876	984	428	11	249	688	296	2.38
1982/83	0.7	16.0	14.1	59.1	835	1,131	507	10	214	731	400	2.52
1983/84*	5.7	11.9	10.0	48.7	488	888	381	10	246	637	251	2.84
1984/85*	.6	17.3	15.4	56.4	866	1,117	527	20	299	846	271	2.39
1985/86*	.9	18.3	16.7	66.7	1,113	1,384	575	20	250	845	539	2.10-2.25
	Mil. acres			Bu/acre	Mil. bu							$/bu
Barley												
1981/82	--	9.6	9.0	52.4	474	620	198	174	100	473	148	2.44
1982/83	0.4	9.5	9.0	57.2	516	675	241	170	47	458	217	2.22
1983/84*	1.1	10.4	9.7	52.3	509	733	283	169	92	544	189	2.50
1984/85*	.5	12.0	11.2	53.4	599	799	304	170	77	551	247	2.26
1985/86*	.7	13.1	11.6	51.0	589	844	300	170	25	495	349	1.90-2.10
	Mil. acres			Bu/acre	Mil. bu							$/bu
Oats												
1981/82	--	13.6	9.4	54.2	510	688	453	76	7	536	152	1.89
1982/83	0.1	14.0	10.3	57.8	593	749	441	85	3	529	220	1.49
1983/84*	.3	20.3	9.1	52.6	477	727	466	78	2	546	181	1.67
1984/85*	.1	12.4	8.2	58.0	474	689	433	74	1	509	180	1.69
1985/86*	.1	13.3	8.1	63.6	519	724	475	80	2	557	167	1.15-1.35
	Mil. acres			Bu/acre	Mil. bu							$/bu
Soybeans												
1981/82	--	67.8	66.4	30.1	2,000	2,318	7/ 93	1,030	929	2,052	266	6.04
1982/83	--	70.9	69.4	31.5	2,190	2,444	7/ 86	1,108	905	2,099	345	5.69
1983/84*	--	63.8	62.5	26.2	1,636	1,981	7/ 79	983	743	1,805	176	7.81
1984/85*	--	67.8	66.1	28.1	1,861	2,037	7/ 93	1,030	598	1,721	316	5.85
1985/86*	--	63.1	61.6	34.1	2,099	2,415	7/ 85	1,060	780	1,925	490	5.05-5.15
					Mil. lbs							8/ ¢/lb
Soybean oil												
1981/82	--	--	--	--	10,979	12,715	--	9,535	2,077	11,612	1,103	19.0
1982/83	--	--	--	--	12,041	13,144	--	9,858	2,025	11,883	1,261	20.6
1983/84*	--	--	--	--	10,872	12,133	--	9,588	1,824	11,412	721	30.6
1984/85*	--	--	--	--	11,468	12,209	--	9,917	1,660	11,569	632	29.5
1985/86*	--	--	--	--	11,723	12,365	--	9,900	1,350	11,250	1,115	17.0-19.0
					Thou. tons							9/ $/ton
Soybean meal												
1981/82	--	--	--	--	24,634	24,797	--	17,714	6,908	24,622	175	183
1982/83	--	--	--	--	26,714	26,889	--	19,306	7,109	26,415	474	187
1983/84*	--	--	--	--	22,756	23,230	--	17,615	5,360	22,977	255	188
1984/85*	--	--	--	--	24,529	24,784	--	19,480	4,917	24,397	387	125
1985/86*	--	--	--	--	25,133	25,520	--	19,300	5,800	25,100	420	140-155

See footnotes at end of table.

Supply and utilization, continued

	Set aside 3/	Area planted	Area harvested	Yield	Production	Total supply 4/	Feed and residual	Other domestic use	Exports	Total use	Ending stocks	Farm price 5/
	Mil. acres			lb/acre	Mil. bales							¢/lb
Cotton 10/												
1981/82	--	14.3	13.8	542	15.6	18.3	--	5.3	6.6	11.8	6.6	54.0
1982/83	1.6	11.3	9.7	590	12.0	18.6	--	5.5	5.2	10.7	7.9	59.1
1983/84*	6.8	7.9	7.3	508	7.8	15.7	--	5.9	6.8	12.7	2.8	66.4
1984/85*	2.5	11.1	10.4	600	13.0	15.8	--	5.5	6.2	11.8	4.1	58.7
1985/86*	3.6	10.7	10.3	631	13.5	17.7	--	6.2	2.0	8.2	9.6	--

*April 10, 1986 Supply and Demand Estimates. 1/ Marketing year beginning June 1 for wheat, barley, and oats, August 1 for cotton and rice, September 1 for soybeans, and October 1 for corn, sorghum, soymeal, and soyoil. 2/ Conversion factors: Hectare (ha.) = 2.471 acres, 1 metric ton = 2204.622 pounds, 36.7437 bushels of wheat or soybeans, 39.3679 bushels of corn or sorghum, 45.9296 bushels of barley, 68.8944 bushels of oats, 22.046 cwt. of rice, and 4.59 480-pound bales of cotton. 3/ Includes diversion, PIK, and acreage reduction programs. 4/ Includes imports. 5/ Season average. 6/ Statistical discrepancy. 7/ Includes seed. 8/ Average of crude soybean oil, Decatur. 9/ Average of 44 percent, Decatur. 10/ Upland and extra long staple. Stock estimates based on Census Bureau data which results in an unaccounted difference between supply and use estimates and changes in ending stocks.

Table 18.—Food grains

	Marketing year 1/			1985					1986	
	1982/83	1983/84	1984/85	Feb	Sept	Oct	Nov	Dec	Jan	Feb
Wholesale prices										
Wheat, No. 1 HRW, Kansas City ($/bu.) 2/	3.94	3.83	3.74	3.74	3.07	3.15	3.35	3.42	3.32	3.30
Wheat, DNS, Minneapolis ($/bu.) 2/	3.95	4.21	3.70	3.52	2.97	3.01	3.42	3.45	3.38	3.32
Rice, S.W. La. ($/cwt.) 3/	18.00	19.38	17.98	18.00	17.50	17.50	17.50	17.50	17.50	17.50
Wheat										
Exports (mil. bu.)	1,509	1,429	1,424	93	77	89	87	72	75	76
Mill grind (mil. bu.)	656	694	675	57	60	65	63	56	61	n.a.
Wheat flour production (mil. cwt.)	292	308	301	26	27	29	28	25	27	n.a.
Rice										
Exports (mil. cwt, rough equiv.)	68.9	70.3	62.1	2.99	5.05	4.35	3.11	2.95	2.88	1.84

	Marketing year 1/			1984			1985			
	1982/83	1983/84	1984/85	Apr-May	June-Sept	Oct-Dec	Jan-Mar	Apr-May	June-Sept	Oct-Dec
Wheat										
Stocks, beginning (mil. bu.)	1,159	1,515	1,399	1,758	1,399	2,743	2,141	1,667	1,425.2	2,971.1
Domestic use:										
Food (mil. bu.)	616	643	650	102	212	167	165	105.5	222.8	177.0
Feed & seed (mil. bu.) 4/	318	469	504	31	395	59	44	0	335.6	14.4
Exports (mil. bu.)	1,509	1,429	1,424	226	645	374	266	139.1	326.6	247.3

1/ Beginning June 1 for wheat and August 1 for rice. 2/ Ordinary protein. 3/ Long-grain, milled basis. 4/ Feed use approximated by residual. n.a. = not available.

Table 19.—Cotton

	Marketing year 1/			1985					1986	
	1982/83	1983/84	1984/85	Feb	Sept	Oct	Nov	Dec	Jan	Feb
U.S. price, SLM, 1-1/16 in. (cts/lb.) 2/	63.1	73.1	60.5	58.6	56.4	56.1	56.0	56.3	58.4	59.8
Northern Europe prices:										
Index (cts./lb.) 3/	76.7	87.6	69.2	69.2	53.4	49.0	48.0	51.8	51.8	54.5
U.S. M 1-3/32" (cts./lb.) 4/	78.0	87.1	73.9	72.9	67.9	68.6	67.7	69.1	69.1	70.1
U.S. mill consumption (thou. bales)	5,512.8	5,883.5	5,517.3	438.3	589.1	516.4	500.2	509.4	623.9	517.6
Exports (thou. bales)	5,206.8	6,786.0	6,201.3	810.6	200.3	218.0	234.7	196.0	186.0	192.9
Stocks, beginning (thou. bales)	6,632	7,937	2,775	9,135	3,981	5,035	8,056	11,203	12,797	12,626

1/ Beginning August 1. 2/ Average spot market. 3/ Liverpool Outlook "A" index; average of five lowest priced of 10 selected growths. 4/ Memphis territory growths.

Table 20.—Feed grains

	Marketing year 1/			1985					1986	
	1982/83	1983/84	1984/85	Feb	Sept	Oct	Nov	Dec	Jan	Feb
Wholesale prices										
Corn, No. 2 yellow, Chicago ($/bu.)	2.93	3.41	2.74	2.79	2.31	2.26	2.46	2.50	2.51	2.49
Sorghum, No. 2 yellow, Kansas City ($/cwt.)	4.96	5.13	4.38	4.33	3.56	3.62	3.75	3.97	3.95	3.80
Barley, feed, Minneapolis ($/bu.)	1.76	2.48	2.09	1.99	1.40	1.41	1.49	1.60	1.57	---
Barley, malting, Minneapolis ($/bu.)	2.53	2.84	2.55	2.44	2.15	2.10	2.27	2.29	2.28	2.25
Exports										
Corn (mil. bu.)	1,870	1,865	1,838	167	81	126	211	179	166	121
Feed grains (mil. metric tons) 2/	54.0	55.7	56.0	5.2	2.8	3.9	5.9	4.8	4.7	3.4

	Marketing year 1/			1984			1985			
	1982/83	1983/84	1984/85	Apr-May	June-Sept	Oct-Dec	Jan-Mar	Apr-May	June-Sept	Oct-Dec
Corn										
Stocks, beginning (mil. bu.)	2,174	3,120	723	3,251	2,145	723	5,864	3,966	2,836	1,381
Domestic use:										
Feed (mil. bu.)	4,522	3,736	4,117	580	553	1,693	1,150	619	655	1,600
Food, seed, ind. (mil. bu.)	898	973	1,065	187	383	235	202	205	423	255
Exports (mil. bu.)	1,870	1,865	1,838	340	487	606	548	307	377	516
Feed grains 2/										
Stocks, beginning (mil. metric tons)	68.2	97.3	31.5	104.3	70.6	44.2	182.1	125.6	89.2	63.6
Domestic use:										
Feed (mil. metric tons)	139.5	117.4	130.8	18.1	20.3	53.9	36.0	19.1	21.8	52.8
Food, seed, ind. (mil. metric tons)	27.9	29.8	32.4	6.1	11.2	7.1	6.3	6.7	12.3	7.5
Exports (mil. metric tons)	54.0	55.7	56.0	9.6	15.0	18.2	16.4	8.8	12.1	14.6

1/ October 1 for corn, sorghum, and feed grains; June 1 for oats and barley. 2/ Aggregated data for corn, sorghum, oats, and barley.

Table 21.—Fats and oils

	Marketing year 1/			1985					1986	
	1982/83	1983/84	1984/85	Feb	Sept	Oct	Nov	Dec	Jan	Feb
Soybeans										
Wholesale price, No. 1 yellow, Chicago ($/bu.) 2/	6.11	7.78	5.88	5.88	5.15	5.07	5.05	5.21	5.36	5.29
Crushings (mil. bu.)	1,108.0	983	1,030.5	81.0	76.5	94.3	96.6	100.8	99.6	81.4
Exports (mil. bu.)	905.2	740.3	600.7	72.6	31.5	55.4	79.6	94.1	84.7	92.1
Stocks, beginning	30.6	58.6	35.3	85.9	26.7	25.7	92.8	113.5	119.8	124.6
Soybean oil										
Wholesale price, crude, Decatur (cts./lb.)	20.6	30.55	29.50	29.64	22.54	20.71	20.62	21.39	20.63	18.64
Production (mil. lb.)	12,040.4	10,872.0	10,614.5	879.0	853.4	1,040.3	1,053.1	1,095.7	1,085.8	894.9
Domestic disap. (mil. lb.)	9,857.3	9,598	9,777.9	840.4	826.3	918.9	840.8	862.4	807.2	774.9
Exports (mil. lb.)	2,024.7	1,814	1,557.1	198.3	102.7	125.4	38.1	74.3	80.6	100.7
Stocks, beginning (mil. lb.)	1,102.5	1,261	720.5	883.6	715.7	640.1	636.1	810.4	969.4	1,167.4
Soybean meal										
Wholesale price, 44% protein, Decatur ($/ton)	187.19	188.21	117.08	125.25	130.60	138.30	142.50	145.00	155.25	152.25
Production (thou. ton)	26,713.6	22,756.2	22,729.1	1,887.2	1,800.6	2,218.1	2,287.7	2,379.9	2,343.8	1,925.2
Domestic disap. (thou. ton)	19,306.0	17,541.0	18,479.7	1,440.9	1,460.0	1,888.8	1,621.8	1,752.2	1,739.5	1,597.2
Exports (thou. ton)	7,108.7	5,436.1	4,504.8	431.8	411.7	397.8	615.1	638.5	590.3	619.1
Stocks, beginning (thou. ton)	175.2	474	255.4	319.6	458.0	386.9	318.4	369.2	358.4	372.4
Margarine, wholesale price, Chicago (cts/lb.)	41.1	46.3	55.4	52.50	49.10	45.69	44.75	43.55	43.99	42.66

1/ Beginning September 1 for soybeans; October 1 for soymeal and oil; calendar year for margarine. 2/ Beginning April 1, 1982, prices based on 30-day delivery, using upper end of the range.

Table 22.—Fruit

	Calendar years											
	1975	1976	1977	1978	1979	1980	1981	1982	1983	1984	1985	1986 F
Citrus												
Production (thou. ton)	14,586	14,788	15,242	14,255	13,329	16,484	15,105	12,057	13,608	10,789	10,460 5/	11,183
Per capita consumption (lbs) 1/	126.2	123.6	119.9	113.0	113.7	119.1	112.1	112.9	127.5	104.9	n.a.	n.a.
Non citrus												
Production (thou. tons)	12,384	11,846	12,274	12,460	13,689	15,152.8	12,961	14,217	13,704	13,769	13,435	n.a.
Per capita consumption (lbs) 1/	102.6	99.2	100.3	101.4	105.9	106.2	109.6 6/	103.8 7/	93.6 8/	93.6	n.a.	n.a.

	1985										1986	
	Mar	Apr	May	June	July	Aug	Sept	Oct	Nov	Dec	Jan	Feb
Fob shipping point prices												
Apples ($/carton) 2/	15.50	16.40	16.50	16.25	15.63	14.13	16.17	14.50	14.30	14.00	13.60	15.00
Pears ($/box) 3/	15.00	15.50	21.30	23.50	n.a.	n.a.	n.a.	14.00	14.00	14.00	14.00	15.59
Oranges ($/box) 4/	16.00	16.70	17.00	16.50	15.90	15.80	13.90	13.70	14.50	15.30	14.10	13.20
Grapefruit ($/box) 4/	11.70	11.70	13.50	14.80	15.10	14.50	14.44	11.30	10.70	11.20	11.20	11.10
Stocks, ending												
Fresh apples (mil. lbs.)	1,372.3	910.4	485.1	291.2	132.4	34.4	1,712.2	3,668.3	3,342.5	2,724.7	2,125.2	1,550.2
Fresh pears (mil. lbs.)	59.2	34.1	10.3	1.5	5.1	92.5	598.7	298.9	222.2	183.2	142.9	101.3
Frozen fruits (mil. lbs.)	512.1	458.5	442.2	527.4	707.0	733.8	760.1	819.9	788.9	720.7	656.5	594.0
Frozen orange juice (mil. lbs.)	1,102.7	1,188.6	1,229.5	1,063.7	1,036.1	912.4	883.8	778.8	656.0	684.4	888.4	943.6

1/ Per capita consumption of both fresh and processed fruit in fresh weight equivalent. 2/ Red Delicious, Washington, extra fancy, carton tray pack, 80-113's. 3/ D'Anjou, Washington, standard box wrapped, U.S. No. 1, 90-135's. 4/ F.O.B. packed fresh. 5/ As of April 1, 1986. 6/ Excludes canned pineapples and pineapple juice. 7/ Excludes canned pineapple, canned apple, and pineapple juice. 8/ Excludes canned apples, cranberries, pineapples, and canned apple and pineapple juice. n.a. = not available.

Table 23.—Vegetables

	Calendar years									
	1976	1977	1978	1979	1980	1981	1982	1983	1984	1985
Production										
Total vegetables (1,000 cwt) 1/	369,915	402,936	382,165	413,925	381,370	379,125	431,515	403,320	443,131	391,290
Fresh (1,000 cwt) 1/ 2/	173,800	176,541	182,563	190,859	190,228	194,694	207,924	197,919	215,256	209,722
Processed (tons) 3/	9,808,750	11,319,750	9,980,100	11,153,300	9,557,100	9,221,460	11,179,560	10,270,050	11,394,780	9,078,430
Mushrooms (1,000 lbs)	151,247	191,080	229,538	255,846	275,052	319,132	337,234	388,075	419,913	n.a.
Potatoes (1,000 cwt)	357,666	355,334	366,314	342,447	302,857	338,591	355,151	333,911	362,612	404,131
Sweetpotatoes (1,000 cwt)	13,275	11,885	13,115	13,370	10,953	12,799	14,655	12,083	12,986	14,416
Dry edible beans (1,000 cwt)	9,364	7,880	9,840	10,383	14,658	19,486	12,670	7,781	11,617	11,207

	1985										1986	
	Feb	Mar	Apr	May	June	July	Aug	Sept	Oct	Nov	Dec	Jan	Feb
Shipments													
Fresh (1,000 cwt) 4/	16,167	16,568	17,974	32,205	29,244	25,974	16,414	15,002	18,318	14,708	14,021	22,189	16,643
Potatoes (1,000 cwt)	9,792	11,705	12,855	15,225	10,166	8,898	7,474	7,850	10,067	9,646	10,147	12,965	10,726
Sweetpotatoes (1,000 cwt)	271	311	236	210	135	115	109	332	492	817	504	352	313

1/ 1983 data are not comparable with 1984 and 1985. 2/ Estimate reinstated for asparagus with the 1984 crop, all other years also include broccoli, carrots, cauliflower, celery, sweet corn, lettuce, honeydews, onions, and tomatoes. 3/ Estimates reinstated for cucumbers with the 1984 crop, all other years also include snap beans, sweet corn, green peas, and tomatoes. 4/ Includes snap beans, broccoli, cabbage, carrots, cauliflower, celery, sweet corn, cucumbers, eggplant, lettuce, onions, bell peppers, squash, tomatoes, cantaloupes, honeydews, and watermelons. n.a. = not available.

Table 24.—Other commodities

	Annual					1985				1986
	1982	1983	1984	1985	1986 F	Jan-Mar	Apr-June	July-Sept	Oct-Dec	Jan-Mar
Sugar										
Production 1/	5,936	5,682	5,888	5,969	5,961	1,586	727	683	2,992	--
Deliveries 1/	9,153	8,812	8,454	8,035	8,100	1,910	1,972	2,150	2,003	--
Stocks, ending 1/	3,068	2,570	3,005	3,126	2,475	3,417	2,686	1,745	3,126	--
Coffee										
Composite green price N.Y. (cts./lb.)	132.00	131.51	142.95	137.46	210.00	137.50	134.69	124.83	152.81	215.33
Imports, green bean equiv. (million lbs.) 2/	2,352	2,259	2,411	2,550	2,450	673	606	659	612	775

	Annual			1985					1986	
	1983	1984	1985	Feb	Sept	Oct	Nov	Dec	Jan	Feb
Tobacco										
Prices at auctions 3/										
Flue-cured (cts./lb.)	1.78	1.81	1.72	--	1.79	1.80	1.66	--	--	--
Burley (cts./lb.)	1.77	1.88	--	1.86	--	--	--	1.60	1.60	1.58
Domestic consumption 4/										
Cigarettes (bil.)	600.0	600.4	592.0	46.3	36.0	70.6	49.9	48.0	35.3	--
Large cigars (mil.)	360.5	349.1	318.5	209.6	300.5	292.8	275.9	238.1	225.6	--

1/ 1,000 short tons, raw value. Quarterly data shown at end of each quarter. 2/ Green and processed coffee. 3/ Crop year July-June for flue-cured, October-September for burley. 4/ Taxable removals.

Table 25.—World supply and utilization of major crops, livestock and products

	1979/80	1980/81	1981/82	1982/83	1983/84	1984/85 E	1985/86 P
				Mil. units			
Wheat							
Area (hectare)	227.6	236.9	238.7	237.5	229.1	231.2	229.5
Production (metric ton)	422.8	442.9	448.4	479.1	490.9	514.7	503.8
Exports (metric ton) 1/	86.0	94.1	101.3	98.6	102.0	106.1	88.1
Consumption (metric ton) 2/	443.5	445.7	441.5	467.9	486.3	499.7	492.1
Ending stocks (metric ton) 3/	80.4	78.2	85.0	96.4	101.0	116.0	127.7
Coarse grains							
Area (hectare)	341.1	342.4	350.2	339.2	334.2	338.8	342.5
Production (metric ton)	741.5	732.9	769.8	779.1	685.6	808.0	843.9
Exports (metric ton) 1/	98.8	108.0	96.6	89.9	91.9	101.6	89.7
Consumption (metric ton) 2/	740.3	743.0	739.8	753.4	757.5	778.1	778.8
Ending stocks (metric ton) 3/	91.6	82.8	112.9	138.6	66.7	97.0	162.1
Rice, milled							
Area (hectare)	143.1	144.4	145.1	141.2	144.3	144.2	143.1
Production (metric ton)	253.9	271.0	280.6	285.7	308.0	318.6	315.3
Exports (metric ton) 4/	12.7	13.1	11.8	11.9	12.6	11.4	11.6
Consumption (metric ton) 2/	257.8	272.3	281.5	289.6	308.1	314.0	313.3
Ending stocks (metric ton) 3/	23.4	22.1	21.3	17.3	17.3	21.9	23.9
Total grains							
Area (hectare)	711.8	723.8	733.9	717.8	707.6	714.2	715.1
Production (metric ton)	1,418.2	1,446.8	1,498.8	1,543.9	1,484.5	1,641.3	1,663.0
Exports (metric ton) 1/	197.5	215.2	209.7	200.5	206.5	219.1	189.4
Consumption (metric ton) 2/	1,441.9	1,461.0	1,462.8	1,510.9	1,551.9	1,591.8	1,584.2
Ending stocks (metric ton) 3/	195.4	183.2	219.2	252.3	185.0	234.9	313.7
Oilseeds							
Crush (metric ton)	134.9	132.9	138.2	143.4	136.7	150.6	152.8
Production (metric ton)	170.1	155.8	169.3	178.0	165.0	190.0	192.8
Exports (metric ton)	35.9	32.1	35.8	35.0	33.0	32.5	34.3
Ending stocks (metric ton)	19.4	20.5	19.0	20.6	15.8	20.3	25.1
Meals							
Production (metric ton)	92.9	90.8	94.0	98.0	93.0	101.5	103.3
Exports (metric ton)	26.5	25.9	28.9	31.6	29.7	32.2	32.4
Oils							
Production (metric ton)	39.7	40.0	41.5	43.4	42.3	46.5	48.2
Exports (metric ton)	12.8	12.5	13.3	14.3	14.3	15.9	16.5
Cotton							
Area (hectare)	32.2	32.4	33.2	31.9	31.4	34.3	32.0
Production (bale)	65.2	64.8	70.8	67.5	67.7	87.5	77.5
Exports (bale)	23.1	19.7	20.2	19.4	19.2	20.2	19.2
Consumption (bale)	65.3	65.9	65.5	68.0	69.0	69.4	72.8
Ending stocks (bale)	24.0	24.1	25.4	25.0	24.6	42.6	47.0
	1980	1981	1982	1983	1984	1985	1986 F
Red meat							
Production (mil. metric tons)	93.3	93.6	93.9	96.5	98.2	101.2	101.2
Consumption (mil. metric tons)	92.0	91.8	92.2	94.5	96.0	99.3	99.4
Exports (mil. metric tons) 1/	5.5	5.7	5.8	5.9	5.9	6.3	6.4
Poultry							
Production (mil. metric tons)	21.3	22.4	23.0	23.5	24.3	25.3	26.0
Consumption (mil. metric tons)	21.1	22.1	22.7	23.4	24.0	24.9	25.6
Exports (mil. metric tons) 1/	1.1	1.5	1.4	1.3	1.2	1.1	1.1
Dairy							
Milk production	405.0	402.3	398.1	413.3	412.6	416.8	420.5

E = Estimated. P = Projected. 1/ Excludes intra-EC trade. 2/ Where stocks data not available (excluding USSR), consumption includes stock changes. 3/ Stocks data are based on differing marketing years and do not represent levels at a given date. Data not available for all countries; includes estimated change in USSR grain stocks but not absolute level. 4/ Calendar year data. 1980 data correspond with 1979/80, etc.

Table 26.—Prices of principal U.S. agricultural trade products

	Annual			1985					1986	
	1983	1984	1985	Feb	Sept	Oct	Nov	Dec	Jan	Feb
Export commodities										
Wheat, f.o.b. vessel, Gulf ports ($/bu.)	4.30	4.17	3.73	4.03	3.47	3.51	3.67	3.77	3.63	3.57
Corn, f.o.b. vessel, Gulf ports ($/bu.)	3.49	3.50	2.89	3.06	2.62	2.53	2.77	2.81	2.75	2.67
Grain sorghum, f.o.b. vessel, Gulf ports ($/bu.)	3.34	3.00	2.64	2.88	2.12	2.20	2.46	2.56	2.51	2.46
Soybeans, f.o.b. vessel, Gulf ports ($/bu.)	7.31	7.38	5.83	6.20	5.44	5.05	5.40	5.56	5.72	5.63
Soybean oil, Decatur (cts./lb.)	23.51	30.75	27.03	29.42	22.41	20.61	20.33	21.26	20.27	18.34
Soybean meal, Decatur ($/ton)	200.91	166.80	127.15	126.45	130.93	139.67	141.88	145.95	152.55	153.28
Cotton, 10 market avg. spot (cts./lb.)	68.68	68.37	58.55	58.65	56.38	56.14	56.03	56.25	58.39	59.81
Tobacco, avg. price of auction (cts./lb.)	173.96	170.66	174.35	177.10	175.84	175.49	172.39	163.65	163.65	162.27
Rice, f.o.b. mill, Houston ($/cwt.)	19.39	19.47	18.57	18.75	18.25	18.25	18.25	18.25	17.88	17.50
Inedible tallow, Chicago (cts./lb.)	13.41	17.47	14.33	17.50	11.40	11.50	11.31	11.38	12.00	11.81
Import commodities										
Coffee, N.Y. spot ($/lb.)	1.33	1.46	1.42	1.45	1.33	1.37	1.55	1.75	2.41	2.26
Rubber, N.Y. spot (cts./lb.)	56.19	49.70	41.91	42.11	43.24	42.92	42.14	40.28	40.74	42.76
Cocoa beans, N.Y. ($/lb.)	.92	1.06	.99	1.00	1.01	1.03	.98	1.02	1.01	.86

Table 27.—Indexes of nominal and real trade-weighted dollar exchange rates

	1985								1986		
	Apr	May	June	July	Aug	Sept	Oct	Nov	Dec	Jan	Feb	Mar
						1980=100						
Total U.S. trade												
Nominal	156	156	155	149	146	148	140	137	136	134	130	127
Real	157	157	156	150	148	149	141	138	137	135	131	128
						April 1971=100						
Agricultural trade												
Nominal 1/	1,707	1,861	2,042	2,217	2,392	2,583	2,830	3,083	3,183	3,544	4,093	3,422
Real 2/	105	105	106	103	102	103	99*	99*	91*	90*	89*	87*
Soybeans												
Nominal 1/	188	190	197	203	201	210	210	229	114	112	107	105
Real 2/	102	102	102	99	97	98	92*	91*	84*	82*	79*	77*
Wheat												
Nominal 1/	9,093	9,996	11,012	11,996	13,008	14,116	15,607	17,029	18,368	20,580	23,953	19,862
Real 2/	109	110	112	111	110	111	109*	109*	103*	103*	104*	100*
Corn												
Nominal 1/	1,599	1,740	1,905	2,067	2,227	2,403	2,627	2,865	2,903	3,227	3,720	3,113
Real 2/	104	105	105	102	100	101	97*	96*	86*	85*	82*	79*
Cotton												
Nominal 1/	211	213	213	213	213	215	213	215	216	216	214	228
Real 2/	101	102	101	100	100	100	98*	97*	97*	97*	95*	95*

1/ Nominal values are percentage changes in currency units per dollar, weighted by proportion of agricultural exports from the United States. An increase indicates that the dollar has appreciated. 2/ Real values are computed in the same way as the nominal series, adjusted for CPI changes in the countries involved.

*Preliminary; assumes the same rate of CPI increase/decrease as the previous six months.

Table 28.—Trade balance

	October–February		February	
	1984/85	1985/86	1985	1986
			$ Mil.	
Exports	15,985	12,754	2,924	2,445
Agricultural	73,126	71,739	13,724	14,719
Nonagricultural	89,111	84,493	16,648	17,164
Total 1/				
Imports	8,182	8,633	1,730	1,745
Agricultural	124,685	140,622	24,000	26,939
Nonagricultural	132,867	149,255	25,730	28,684
Total 2/				
Trade balance	7,803	4,121	1,194	700
Agricultural	-51,559	-68,883	-10,276	-12,220
Nonagricultural	-43,756	-64,762	-9,082	-11,520
Total				

1/ Domestic exports including Department of Defense shipments (F.A.S. value). 2/ Imports for consumption (customs value).

Table 29.—U.S. agricultural exports and imports

Exports

	October-February				February			
	1984/85	1985/86	1984/85	1985/86	1985	1986	1985	1986
	Thou. units		$ Thou.		Thou. units		$ Thou.	
Animals, live (no.)	455	246	110,991	197,227	177	43	20,191	23,482
Meats & preps., excl. poultry (mt)	176	184	376,427	403,856	35	35	68,075	84,350
Dairy products (mt)	141	202	136,808	168,155	31	30	27,423	26,354
Poultry meats (mt)	100	102	115,901	111,264	15	21	16,047	22,156
Fats, oils, & greases (mt)	520	620	276,517	242,331	89	122	47,407	44,338
Hides & skins incl. furskins (na)	--	--	585,423	583,088	--	--	125,424	153,545
Cattle hides, whole (no.)	10,542	10,374	436,097	442,272	2,074	2,401	83,308	108,092
Mink pelts (no.)	889	1,055	25,006	27,264	359	420	10,414	12,357
Grains & feeds (mt)	48,624	37,354	6,892,950	4,750,891	8,299	6,254	1,175,348	825,040
Wheat (mt)	15,198	10,081	2,316,386	1,390,200	2,327	1,929	355,631	263,029
Wheat flour (mt)	229	441	52,794	74,125	126	111	28,800	23,185
Rice (mt)	752	683	273,823	253,828	135	83	53,396	34,347
Feed grains, excl.products (mt)	29,342	22,465	3,672,468	2,401,552	5,117	3,381	634,941	380,325
Feeds & fodders (mt)	2,700	3,236	426,727	487,987	509	689	72,823	103,304
Other grain products (mt)	401	448	150,752	143,199	85	61	29,757	20,849
Fruits, nuts, and preps. (mt)	863	843	751,438	752,977	143	153	126,103	128,875
Fruit juices incl. froz. (hl)	1,721	1,473	76,657	60,906	342	280	14,480	11,539
Vegetables & preps. (mt)	654	640	423,928	435,275	102	123	72,488	90,567
Tobacco, unmanufactured (mt)	149	128	903,917	751,136	22	15	141,893	91,002
Cotton, excl. linters (mt)	679	224	1,080,364	346,519	176	42	271,474	66,935
Seeds (mt)	149	138	189,900	215,163	30	35	45,632	48,941
Sugar, cane or beet (mt)	137	141	28,915	25,342	35	19	6,166	3,580
Oilseeds & products (mt)	13,509	14,410	3,540,774	3,227,051	2,595	3,219	675,104	724,652
Oilseeds (mt)	10,641	11,253	2,599,982	2,386,521	2,035	2,529	485,689	538,301
Soybeans (mt)	9,854	11,047	2,333,477	2,294,707	1,975	2,507	462,673	525,180
Protein meal (mt)	2,181	2,658	422,651	518,421	399	570	73,600	116,232
Vegetable oils (mt)	687	499	518,141	322,110	161	120	115,815	70,120
Essential oils (mt)	5	3	41,501	42,676	1	1	9,826	9,556
Other	--	--	126,717	116,545	--	--	23,421	23,186
Total	--	--	15,985,476	12,753,866	--	--	2,924,261	2,445,430

Imports

	October-February				February			
	1984/85	1985/86	1984/85	1985/86	1985	1986	1985	1986
	Thou. units		$ Thou.		Thou. units		$ Thou.	
Animals, live (no.)	969	972	274,306	339,554	186	156	44,955	49,915
Meats & preps., excl. poultry (mt)	423	461	862,741	921,998	81	89	164,237	178,546
Beef & veal (mt)	250	275	492,953	509,393	44	53	89,599	100,003
Pork (mt)	160	168	341,246	365,765	34	33	69,481	71,956
Dairy products (mt)	211	198	350,027	352,525	49	34	67,754	53,411
Poultry and products (na)	--	--	35,912	40,204	--	--	8,343	6,671
Fats, oils, & greases (mt)	8	8	7,439	6,753	1	2	1,368	2,284
Hides & skins, incl. furskins (na)	--	--	98,374	89,362	--	--	29,980	30,572
Wool, unmanufactured (mt)	19	22	67,216	70,468	3	5	11,719	15,935
Grains & feeds (mt)	871	890	250,918	283,297	164	184	42,838	48,300
Fruits, nuts, & preps., ex juices (mt)	1,544	1,813	641,386	791,154	332	413	143,848	188,749
Bananas & plantains (mt)	1,124	1,267	279,919	308,094	200	249	48,937	60,810
Fruit juices (hl)	16,286	12,644	480,052	316,516	4,192	2,933	126,831	70,506
Vegetables & preps. (mt)	863	878	535,160	608,224	237	211	149,377	155,800
Tobacco, unmanufactured (mt)	80	78	230,777	234,012	20	12	54,400	35,011
Cotton, unmanufactured (mt)	15	16	7,637	9,983	4	1	2,409	307
Seeds (mt)	31	38	37,930	51,302	8	9	8,305	10,970
Nursery stock & cut flowers (na)	--	--	128,477	151,590	--	--	27,872	34,518
Sugar, cane or beet (mt)	1,078	806	439,040	282,518	183	119	72,169	36,684
Oilseeds & products (mt)	492	619	347,411	295,292	102	115	64,442	54,637
Oilseeds (mt)	93	67	40,877	26,049	24	13	10,131	4,713
Protein meal (mt)	63	61	7,170	6,058	13	14	1,294	1,407
Vegetable oils (mt)	335	491	299,364	263,185	65	88	53,017	48,517
Beverages excl. fruit juices (hl)	5,807	6,003	638,495	739,199	930	975	91,085	107,332
Coffee, tea, cocoa, spices (mt)	791	841	2,097,419	2,421,136	190	168	487,381	541,721
Coffee, incl. products (mt)	451	534	1,312,398	1,684,538	104	113	300,120	415,172
Cocoa beans & products (mt)	248	227	579,560	555,811	68	40	149,003	95,621
Rubber & allied gums (mt)	337	351	306,361	255,925	73	76	63,224	56,674
Other	--	--	346,484	372,091	--	---	67,247	66,409
Total	--	--	8,181,572	8,633,103	--	--	1,729,784	1,744,953

-- Not available.

Table 30.—U.S. agricultural exports by regions

Region & country	October-February		February		Change from year earlier	
	1984/85	1985/86	1985	1986	October-Feb	Feb
	$ Mil.				Percent	
Western Europe	3,945	3,747	769	745	-5	-3
European Community	2,929	2,891	577	600	-1	4
Belgium-Luxembourg	287	203	46	37	-29	-20
France	216	251	40	58	16	46
Germany, Fed. Rep.	501	570	129	129	14	0
Italy	390	379	84	87	-3	4
Netherlands	1,058	1,049	204	206	-1	1
United Kingdom	318	312	37	54	-2	47
Other Western Europe	1,015	856	192	145	-16	-24
Portugal	258	163	42	26	-37	-36
Spain	488	494	105	81	1	-23
Switzerland	128	59	24	14	-54	-40
Eastern Europe	322	248	54	44	-23	-20
German Dem. Rep.	71	35	12	0	-51	-99
Poland	67	16	13	0	-76	-97
Romania	46	57	7	31	24	343
USSR	1,642	790	288	232	-52	-19
Asia	5,934	4,825	962	864	-19	-10
West Asia (Mideast)	767	565	92	95	-26	4
Turkey	107	57	5	25	-47	407
Iraq	215	164	32	22	-24	-32
Israel	133	111	19	10	-17	-44
Saudia Arabia	178	132	23	23	-26	-2
South Asia	306	208	59	45	-32	-23
Bangladesh	147	27	28	17	-82	-39
India	70	37	6	4	-48	-36
Pakistan	61	116	20	18	90	-10
East & Southeast Asia	4,861	4,052	811	723	-17	-11
China	156	49	4	4	-69	26
Taiwan	717	526	145	91	-27	-37
Japan	2,836	2,463	420	422	-13	1
Korea, Rep.	600	575	138	128	-4	-7
Hong Kong	177	168	28	29	-5	3
Indonesia	95	55	15	11	-42	-31
Philippines	103	104	17	19	1	13
Africa	1,162	959	279	175	-17	-37
North Africa	626	670	160	148	7	-8
Morocco	85	74	11	25	-13	120
Algeria	110	134	15	34	22	122
Egypt	385	456	127	86	18	-32
Sub-Sahara	536	288	119	27	-46	-77
Nigeria	187	63	40	2	-66	-95
Rep. S. Africa	139	22	16	2	-84	-85
Latin America & Caribbean	2,129	1,497	420	251	-30	-40
Brazil	349	214	55	39	-39	-29
Caribbean Islands	318	297	63	56	-7	-11
Central America	135	127	17	18	-6	7
Colombia	94	63	12	7	-33	-39
Mexico	776	485	188	73	-37	-61
Peru	65	44	6	14	-32	142
Venezuela	298	174	59	32	-42	-46
Canada	735	604	134	113	-18	-16
Oceania	116	84	18	22	-28	25
Total	15,985	12,754	2,924	2,445	-20	-16

Note: Adjusted for transshipments through Canada.

Table 31.—Farm income statistics

	1976	1977	1978	1979	1980	1981	1982	1983	1984	1985 F	1986 F
						$ Bil.					
Receipts											
Cash receipts:											
Crops 1/	49.0	48.6	53.0	62.3	71.8	72.9	72.7	66.8	69.1	70 to 72	60 to 64
Livestock	46.3	47.6	59.2	69.2	68.0	69.2	70.3	69.4	72.7	69 to 71	68 to 72
Total	95.4	96.2	112.2	131.5	139.8	142.1	142.9	136.3	141.8	140 to 142	130 to 134
Other cash income 2/	1.8	3.0	4.9	3.6	3.5	4.4	6.1	11.8	11.4	8 to 12	11 to 15
Gross cash income	97.2	99.3	117.1	135.1	143.3	146.5	149.0	148.1	153.3	151 to 154	145 to 149
Nonmoney income 3/	7.3	8.4	9.2	10.5	12.2	13.7	14.0	13.1	12.9	11 to 13	10 to 12
Realized gross income	104.4	107.6	126.3	145.6	155.5	160.2	163.0	161.2	166.1	158 to 163	156 to 160
Value of inventory chg	-1.5	1.1	2.1	5.0	-5.9	5.8	-1.4	-10.6	7.8	-1 to 3	-6 to -2
Total gross income	102.9	108.8	128.4	150.7	149.6	166.0	161.6	150.6	174.0	163 to 166	152 to 156
Expenses											
Cash expenses 4/	67.8	72.0	82.6	98.1	106.1	110.7	110.7	109.8	114.1	109 to 111	106 to 110
Total expenses	82.7	88.9	101.0	119.0	129.4	136.1	136.9	135.6	139.5	133 to 135	129 to 133
Income											
Net cash income	29.4	27.3	34.6	37.0	37.2	35.8	38.3	38.3	39.2	41 to 44	37 to 41
Total net farm income	20.2	19.9	27.4	31.7	20.2	29.8	24.6	15.0	34.5	29 to 32	21 to 25
Deflated total net farm income 5/	32.1	29.6	38.0	40.3	23.6	31.7	24.6	14.4	31.9	26 to 29	18 to 21
Off-farm income	26.7	26.1	29.7	33.8	35.1	36.9	37.9	38.8	40.0	40 to 42	40 to 44

F = Forecast. 1/ Includes net CCC loans. 2/ Income from machine hire and custom work, farm recreational income, and direct government payments. The 1978-1986 figures include sales of forest products and other misc. sources. 3/ Imputed gross rental value of farm dwellings and value of home consumption. 4/ Excludes depreciation of farm capital, perquisites to hired labor, and expenses associated with farm dwellings, and includes net rent to all landlords. 5/ Deflated by the GNP implicit price deflator, 1982=100. Totals may not add due to rounding.

Table 32.—Cash receipts from farming

	Annual						1985					1986
	1980	1981	1982	1983	1984	1985p	Jan	Sept	Oct	Nov	Dec	Jan
						$ Mil.						
Farm marketings and CCC loans 1/	139,757	142,089	142,938	136,260	141,835	143,521	12,879	12,166	16,086	16,932	15,573	13,927
Livestock and products	67,990	69,151	70,268	69,444	72,740	69,622	6,128	5,716	5,967	6,048	5,569	5,690
Meat animals	41,231	39,748	40,917	38,894	40,758	39,141	3,684	3,196	3,413	3,390	3,168	3,222
Dairy products	16,364	18,095	18,232	18,759	17,929	17,916	1,541	1,422	1,480	1,425	1,402	1,513
Poultry and eggs	9,161	9,951	9,556	10,026	12,189	10,755	799	992	971	1,117	894	851
Other	1,233	1,357	1,560	1,768	1,866	1,811	104	106	103	117	105	104
Crops	71,768	72,937	72,670	66,816	69,094	73,901	6,752	6,450	10,120	10,884	10,004	8,237
Food grains	10,402	11,620	11,469	9,733	9,741	10,078	634	1,221	1,521	691	610	748
Feed crops	18,306	17,774	17,232	16,190	16,450	21,659	2,348	1,372	2,793	4,127	4,193	3,430
Cotton (lint and seed)	4,476	4,551	4,932	3,316	3,565	4,225	624	226	779	895	822	956
Tobacco	2,671	3,250	3,342	2,831	2,841	2,670	431	586	432	168	482	176
Oil-bearing crops	15,491	13,853	13,813	13,504	13,666	13,098	1,299	810	2,504	2,447	1,841	1,547
Vegetables and melons	7,299	8,773	8,113	8,106	8,910	8,257	650	880	823	445	423	654
Fruits and tree nuts	6,557	6,574	6,806	6,026	6,265	6,045	248	681	767	952	721	205
Other	6,558	6,544	6,967	7,109	7,863	7,864	518	673	700	1,160	911	521
Government payments	1,286	1,932	3,492	9,295	8,430	7,687	802	262	101	-3	932	29
Total	141,043	144,021	146,430	145,555	150,265	151,208	13,681	12,428	16,187	16,929	16,505	13,956

1/ Receipts from loans represent value of commodities placed under CCC loans minus value of redemptions during the month.

Table 33.—Cash receipts from farm marketings, by States

State	Livestock and products		Crops 2/		Total 2/	
	Jan.-Dec. 1984	Jan.-Dec. 1985	Jan.-Dec. 1984	Jan.-Dec. 1985	Jan.-Dec. 1984	Jan.-Dec. 1985
			$Mil.			
North Atlantic						
Maine	289	264	167	126	456	390
New Hampshire	76	76	33	35	109	111
Vermont	369	371	31	31	400	402
Massachusetts	132	132	251	260	383	392
Rhode Island	14	14	48	48	62	61
Connecticut	221	199	139	151	359	350
New York	1,911	1,838	794	704	2,705	2,543
New Jersey	135	135	371	372	505	507
Pennsylvania	2,242	2,140	923	923	3,166	3,063
North Central						
Ohio	1,612	1,472	1,999	2,282	3,611	3,753
Indiana	1,774	1,603	2,150	2,921	3,924	4,523
Illinois	2,182	2,176	4,556	5,379	6,738	7,555
Michigan	1,298	1,237	1,479	1,730	2,777	2,967
Wisconsin	4,073	3,982	1,063	1,070	5,136	5,052
Minnesota	3,338	3,282	2,904	3,769	6,242	7,051
Iowa	5,013	4,591	4,300	5,018	9,312	9,610
Missouri	2,166	2,057	1,562	1,642	3,729	3,699
North Dakota	690	698	1,854	2,103	2,544	2,801
South Dakota	1,803	1,782	1,086	1,187	2,889	2,969
Nebraska	4,523	4,573	2,559	3,345	7,082	7,918
Kansas	3,620	3,557	2,328	2,593	5,947	6,150
Southern						
Delaware	383	349	137	137	520	486
Maryland	811	770	343	374	1,154	1,144
Virginia	1,121	1,101	673	648	1,794	1,749
West Virginia	182	181	44	50	226	230
North Carolina	1,927	1,797	2,198	1,981	4,125	3,778
South Carolina	428	388	708	619	1,136	1,007
Georgia	1,849	1,611	1,739	1,480	3,587	3,091
Florida	1,091	1,039	3,496	3,378	4,587	4,417
Kentucky	1,412	1,415	1,240	1,254	2,652	2,669
Tennessee	1,003	1,015	981	1,038	1,985	2,053
Alabama	1,387	1,260	802	733	2,189	1,993
Mississippi	1,045	1,011	1,123	1,255	2,168	2,266
Arkansas	1,874	1,745	1,462	1,706	3,336	3,451
Louisiana	478	476	1,050	1,182	1,527	1,658
Oklahoma	1,776	1,865	787	939	2,562	2,804
Texas	5,901	5,438	3,782	3,958	9,683	9,396
Western						
Montana	772	780	647	586	1,419	1,366
Idaho	903	886	1,386	1,189	2,288	2,074
Wyoming	466	446	107	121	574	567
Colorado	2,204	1,998	1,148	1,159	3,352	3,157
New Mexico	657	696	332	384	989	1,080
Arizona	753	661	768	798	1,521	1,459
Utah	444	426	136	134	580	560
Nevada	172	174	80	84	252	258
Washington	1,030	979	1,903	1,901	2,933	2,880
Oregon	626	621	1,166	1,048	1,792	1,669
California	4,471	4,223	9,714	9,648	14,185	13,871
Alaska	7	7	18	15	25	22
Hawaii	87	87	530	412	617	499
United States	72,739	69,623	69,096	73,899	141,835	143,522

1/ Estimates as of the end of current month. 2/ Sales of farm products include receipts from commodities placed under CCC loans minus value of redemptions during the period. Rounded data may not add.

Transportation

Table 34.—Rail rates; grain and fruit-vegetable shipments

	Annual			1985					1986	
	1983	1984	1985	Feb	Sept	Oct	Nov	Dec	Jan	Feb
Rail freight rate index 1/										
(Dec 1984 = 100)										
All products	95.0	99.3	99.9	100.0	100.0	99.9	99.8 p	99.8 p	100.9 p	100.1 p
Farm products	94.0	98.7	98.8	100.0	98.9	98.9	97.6 p	97.6 p	99.6 p	99.6 p
Grain	94.0	98.6	98.0	100.0	98.0	98.0	96.3 p	96.3 p	98.9 p	98.9 p
Food products	94.8	99.1	100.1	100.0	100.1	100.1	100.1 p	100.1 p	101.1 p	101.1 p
Grain										
Rail carloadings (thou. cars) 2/	26.1	27.2	22.5	23.9	18.8	23.8	29.5	23.4	25.0	22.7
Barge shipments (mil. bu.) 3/	40.8	37.2	31.8	30.0	34.0	39.9	47.8	26.3	31.1	21.8
Fresh fruit & vegetable shipments										
Piggy back (thou. cwt.) 3/ 4/	545	570	600	567	590	485	452	506	590	534
Rail (thou. cwt.) 3/ 4/	786	640	513	627	288	362	461	590	579	566
Truck (thou. cwt.) 3/ 4/	7,923	8,006	8,097	6,998	7,252	7,237	7,706	7,858	7,665	7,596

1/ Department of Labor, Bureau of Labor Statistics, revised March 1985. 2/ Weekly average; from Association of American Railroads. 3/ Weekly average; from Agricultural Marketing Service, USDA. 4/ Preliminary data for 1985 and 1986.
p = preliminary.

Indicators of Farm Productivity

Table 35.—Indexes of farm production, input use and productivity

(See the April 1986 issue.)

Food Supply and Use

Table 36.—Per capita food consumption indexes (1967 = 100)

(See the Nov. 1985 issue.)

Table 37.—Per capita consumption of major food commodities (retail weight)

(See the Oct. 1985 issue.)

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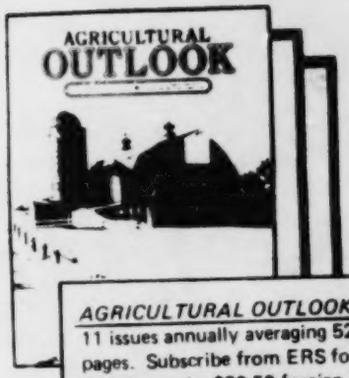

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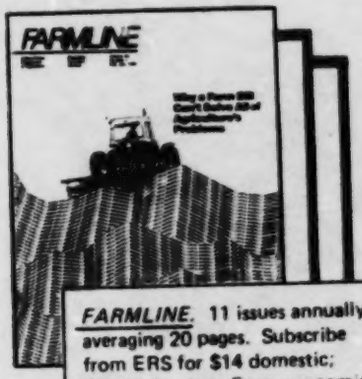

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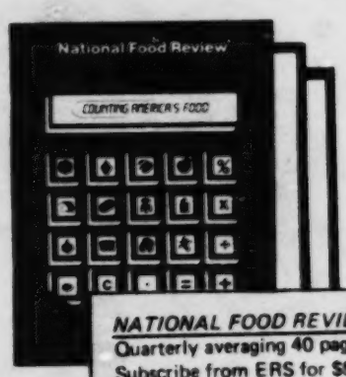

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